# PAID FAMILY LEAVE:
## BENEFITING HAWAIʻI BUSINESSES AND THE ECONOMY

HAWAIʻI KIDS COUNT ISSUE BRIEF

Changes in family roles and labor market trends have created the need for policies that help employees balance work and family life. Paid family leave is an example of one such policy. When family members are sick, hurt, or too frail to care for themselves, loved ones step up to provide the needed care. Nearly all employees need time away from the job at some point to care for a new child or seriously ill family member. However, employees in Hawaiʻi do not have any legal right to *paid* family leave, and too many are not covered by current policies that provide job-protected *unpaid* leave.

The impact that paid family leave has on the overall wellbeing of workers and their families is well-documented. Paid family leave not only supports family economic stability, but also promotes child and maternal health, sets a foundation for fathers' life-long involvement in their children's lives, and alleviates the pressure associated with caregiving for older adult relatives.[1] Despite growing public consensus in support of paid family leave, opposition often centers around the claim that such a leave program would be harmful to businesses, particularly small businesses.[2] Evidence from states that have implemented paid family leave programs, however, indicates quite the opposite and suggests that paid family leave may not only be good for businesses, but may also be beneficial for the local economy.

### *Paid Family Leave Supports Businesses*

In the absence of a federal mandate that guarantees job-protection *and* wage replacement when workers need to take time to care for a new child or a sick family member, a handful of states have implemented their own paid family leave programs. California was the first to enact its program in 2002, followed by New Jersey in 2008, Rhode Island in 2013, and New York with its law taking effect in 2018.[3] A small but growing number of studies conducted in these states indicate that paid family leave is not harmful to businesses and actually provide some evidence of positive impacts.[4] These initial studies suggest that paid family leave:

**PAID FAMILY LEAVE**

Paid family leave provides job protection and wage replacement for employees who need to take time off to care for a new or sick child or a family member, such as an older parent, with a serious illness or disability.

■ *Improves employee retention and reduces turnover, saving businesses money.* When they do not have access to *paid* leave, employees are more likely to quit their jobs or take breaks from the workforce in order to manage caregiving responsibilities that require time off work.[5] Data from California suggest that paid family leave not only promotes workers returning to the labor force after their leave, but also increases the chances that workers will return to the same employer. This is especially true among low-wage workers; those who accessed the paid family leave program in the California study were far

***"By supporting employee retention and reducing turnover, paid family leave can help businesses save money."***

more likely to return to the same employer following leave than those who did not.[6] Businesses benefit when employees return to their pre-leave jobs as one study shows that, on average, it costs companies approximately 21 percent of an employee's annual salary to hire and train a worker's replacement.[7] By supporting employee retention and reducing turnover, paid family leave can help businesses save money. The indirect savings of paid family leave can potentially be used to pay temporary workers or to compensate employees for overtime while others are on leave.[8]

■ *Boosts employee morale and promotes productivity.* Surveyed employers in California and New Jersey reported that paid family leave improved morale among employees who took leave, and a small survey in New Jersey indicated that employers also felt it boosted morale among leave-takers' co-workers.[9] When supportive programs like paid leave are offered, employee loyalty is increased and productivity is promoted.[10] Despite concerns that paid family leave might disrupt productivity,[11] the majority of surveyed employers in California and New Jersey indicated that paid family leave did not negatively impact productivity.[12]

■ *Evens the playing field for small businesses.* While the research indicates that paid family leave can support businesses, there are particular benefits for small businesses that may often be at a hiring disadvantage. With a universal leave program, small businesses can attract talented employees who might otherwise choose to work at larger companies that are more likely to offer generous benefits.[13] Companies with more flexible leave benefits also have lower turnover rates.[14] In a survey conducted years into California's program, it is not surprising that small business owners were more likely to report neutral to positive effects than larger companies.[15]

## WHY IS PAID FAMILY LEAVE NECESSARY?

The United States remains the world's only advanced economy that does not guarantee job-protected paid leave to its employees.[16] While some leading companies provide paid time off for employees to manage family needs,[17] most U.S. workers lack access to paid family leave. Nationally, only 13 percent of workers have access to this type of leave through their employers.[18]

The federal Family and Medical Leave Act (FMLA) of 1993 provides job-protected *unpaid* leave for up to 12 weeks for eligible workers, but too many in the workforce are excluded from the law's protection because of employer size restrictions and other eligibility criteria. Some states, including Hawaiʻi, have their own family and medical leave laws. The Hawaiʻi Family Leave Law (HFLL) only allows up to four weeks of *unpaid* job-protected leave for a limited pool of workers in businesses that have 100 or more employees.[19] As a result, about 37 percent of Hawaiʻi's workforce is ineligible for HFLL.[20]

In a state with one of the highest costs of living in the nation,[21] many of Hawaiʻi's working families already struggle to make ends meet, and taking unpaid leave is just not an option. Paid family leave would give Hawaiʻi's workers the option to take needed time off work without risking income or job loss.

■ *Is used appropriately and not abused by employees.* Before paid family leave was implemented in their state, the business community in California expressed concerns about the potential for misuse or abuse of leave.[22] However, research from California and other states confirms that employees take leave appropriately. On average, employees take less than the maximum time allowed,[23] and most employees surveyed reported that they are not affected when co-workers take leave.[24]

When asked if they were aware of employees abusing the program, 91 percent of employers surveyed in California said "no."[25] Employers in New Jersey similarly expressed concerns about potential abuse prior to their program's implementation and, as in California, employer surveys now indicate those concerns have not been realized.[26]

### *Paid Family Leave Strengthens the Economy*

When the workforce does well, businesses thrive and the economy benefits. Over time, paid family leave can help businesses succeed with a stable workforce that further stimulates economic productivity and growth.[27] Research from countries around the world with similar economies, as well as from the handful of U.S. states with these programs, provides evidence that paid family leave:

■ *Saves the state money*. When employees have to take unpaid leave or leave the workforce to care for a new child or sick family member, the financial cost can fall on public funding. By promoting workers' financial stability, paid family leave can reduce the need for public assistance and decrease costs for taxpayers. New parents who have access to paid family leave are less likely to rely on food stamps and other forms of public assistance.[28]

■ *Increases labor force participation.* The availability of paid family leave increases the likelihood that working parents, especially new mothers, will return to the workforce.[29] Today's families are more dependent on mothers for economic security than ever.[30] Women make up about half of the labor force in Hawaiʻi[31] and more women with young children are in the workforce than in the past.[32] Since mothers who take paid family leave are more likely to remain connected to the workforce, they are also more likely to experience continued increases in work hours and wages after a child's birth.[33] This attachment to the labor force not only ensures the financial wellbeing of families but also supports economic advancement.

■ *Boosts savings and spending.* The potential for lost wages when employees take unpaid leave can negatively affect local economies. When workers remain attached to the labor force, however, lifetime earnings and retirement savings increase, which helps the economy grow.[34] Over time, paid family leave can help increase the tax base and support consumer spending.[35]

### *Conclusion*

Hawaiʻi's workforce is stronger when employees can balance work, family, and life's challenges. Research indicates that paid family leave is not only beneficial to workers, but may also offer benefits to their employers. When offered universally, paid family leave programs allow employers to attract and retain skilled workers, have implications for increasing productivity and profitability, and generally do not harm business operations according to the early data from states with leave programs. Paid family leave supports labor force attachment and earnings continuity for workers, especially women, allowing families to be self-sufficient and to give back to the economy. Over time, a universal paid family leave program can contribute to our state's economic productivity and growth.

## Endnotes and Citations


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Methodological note: The estimated 37 percent of the workforce that is not covered by Hawai'i Family Leave Law (HFLL) is calculated using County Business Pattern Census data that includes private sector firms and excludes most government establishments. Government establishments included in the County Business Pattern data are government-sponsored wholesale liquor establishments, retail liquor stores, book publishers, federally-chartered saving institutions, federally-chartered credit unions, and hospitals, according to the methodology of the County Business Patterns data.
[21] Based on authors' calculation of 2011 and 2012 Cost of Living Index data from the Council for Community and Economic Research.
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Hawaii Paid Family Leave Coalition

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