

# *What To Expect When Your Employees Are Expecting*

Universal Paid Leave and Business in Washington, D.C.

**Report by  
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## About the Author

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# *Introduction*

This report seeks to analyze how paid family/medical leave affected state economies in California and New Jersey, which established paid family leave programs in 2004 and 2009, respectively. The report combines empirical analysis of existing policy with primary sources through interviews with nine business owners of diverse industries and sizes (1–170 employees) within the District of Columbia. These business owners speak to the costs and benefits of the proposed program. Through their responses, we can begin to analyze how the larger business community can manage the changes associated with D.C.’s proposed paid leave policy and maximize its benefits. The interviews highlight both how to manage the cost of the tax that would fund the proposal and how to maintain productivity while employees take leave.

## **DC’S PROPOSED PAID LEAVE POLICY**

The U.S. is the only country besides Papua New Guinea and Oman that does not provide paid maternity leave. Stagnation at the federal level has forced several state and municipal government to develop policies themselves; one of these jurisdictions is the District of Columbia, where the Universal Paid Leave Act (UPLA) is under consideration. Members of the D.C. Council and the local business community have raised concerns about the program’s funding structure and its impact on both the District and the region’s recent economic growth pattern.

In October 2015, at-large Councilmembers David Grosso and Elissa Silverman co-introduced the UPLA with co-sponsors Brianne Nadeau (Ward 1), Mary Cheh (Ward 3), Kenyan McDuffie (Ward 5), Charles Allen (Ward 6), and LaRuby May (Ward 8). As of July 2016, the latest discussion draft provided 12 weeks of paid leave for any private or nonprofit sector employee in the District to care for a child immediately after birth, adoption, legal placement, or becoming a foster parent; to care for a family member experiencing prolonged illness or injury; or to care for oneself during a period of sustained illness or injury. Qualifications for job protection under this program include working for at least one year and spending at least 50 percent of one’s work time with a covered employer.

The program will function as an insurance pool into which all D.C. employers pay annually and to which qualified employees apply to receive funds to partially replace wages. The program derives funds via a tax of up to 1 percent on wages and salaries paid to employees (meaning that if an employer pays \$100,000 annually in wages and salaries, the tax would be up to \$1,000). In turn, the program provides 90 percent wage replacement for employees earning double the minimum wage or less, and 50 percent replacement of the amount by which an employee’s wage exceeds double the minimum wage, capped at \$1,500 per week. Addressing accessibility issues for low-income workers, the District’s program would be the most generous paid family/medical leave program anywhere in the country. Generosity is critical to the program’s success; in a survey of California employees, 31 percent reported that they could not take desired leave because the wage replacement rate offered in that state was too low.<sup>1</sup>

## *Benefits of Paid Leave*

This section will examine how paid family/medical leave benefits both families in particular and the economy as a whole. First, it will highlight how twelve weeks of paid leave would allow families at various income levels to invest time and other resources necessary for self-care and the quality care of loved ones during critical periods. Next, it will define the benefits that paid leave offers to employers, including improved retention and recruitment



capacities, and how paid leave affects macroeconomic conditions, including women's labor force participation. Finally, it will examine the impact of existing paid leave policies in California and New Jersey.

## **A Policy for Children and Parents: Paid Leave's Role in Public Health**

The periods both immediately prior to and following birth play a critical role in the mental and physical health of children and families. Yet financial constraints and a lack of paid leave prevent far too many families from providing the best for their children.

This disparity manifests in a number of ways throughout the birth and child-rearing process: In Washington, D.C., infants in the city ward with the lowest median income are 10 times more likely to die than infants in the ward with the highest median income.<sup>2</sup> A growing body of research touts the impacts of breastfeeding and parent-child bonding on cognitive and physical development in newborn children. Affording parents the time needed to care for a child in the first year reduces infant mortality rates by 1 to 2 percent.<sup>3</sup> Likewise, instances of postpartum depression among new mothers decreases 6–7 percent for each week of paid leave granted to women in this category.<sup>4</sup>

The absence of widespread paid leave policy in the private sector necessitates a public structure to support families.

## **A Policy for the Economy: Employee Retention and Long-Term Growth**

Paid leave policies have facilitated long-term economic growth across the globe. A compilation of studies by the Center for American Progress indicates that employers spend about 20 percent of an employee's salary to replace an employee, and as job-specific skills and requisite education levels increase, the price of replacement subsequently rises.<sup>5</sup> This price includes direct costs, such as advertising the position, interviews, drug and performance tests, relocation costs, and hiring bonuses, as well as losses related to decreased morale and productivity.

For employers, paid family/medical leave ultimately saves money on recruitment, training, and the loss of job-specific human capital. It presents the opportunity to establish ties and loyalty to talented employees and invest in the company's long-term growth via training and leadership development. Opponents of paid leave and similar benefits argue that the associated costs threaten economic growth. In the District, opponents worry that companies will relocate to Arlington and Maryland. Thus far, however, investments in workers and families have correlated with economic growth in D.C. and around the country. As minimum wage increases occurred in 2014, D.C. retail job growth expanded by 6.6 percent compared to 1.4 percent across the region, and full-service restaurants added workers by about 3 percent in 2015 compared to a 3 percent decline in workers across the region.<sup>6</sup> Likewise, despite regional difficulties in attracting new companies and workers, San Francisco experienced sustained economic growth after implementing its paid sick days program.<sup>7</sup> Granted, these studies do not identify causation of labor-supportive policies as a catalyst for economic growth, but they negate the notion that these policies inherently lead to economic decline.

The lack of paid family/medical leave contributes to declining female participation rates in the American labor market. Between 1990 and 2010, female labor force participation rates (LFPRs) increased across the globe, particularly in countries with robust paid leave policies for working mothers. Whereas the U.S. once ranked 6th in the world in terms of greatest female LFPR at 74 percent in 1990, it fell to 17th with a marginal 1.2 percent increase by 2010. Researchers estimate if the U.S. had adopted similar length of leave of leave (8-16 weeks), LFPR



would have risen to 82 percent and the U.S. would currently be ranked 11th in the world.<sup>8</sup> Evidence from existing leave programs corroborates this: 95 percent of participants in California’s paid family leave program returned to work after participating in the program, and 80 percent of them returned to the same employer.<sup>9</sup>

Several D.C. Council members and advocates view the Universal Paid Leave Act as an employer benefit in addition to a family benefit. A survey of 200 human resource managers across the country identified family-supportive benefits as the number one agent for effective recruitment of talented employees.<sup>10</sup> Rather than push companies into the surrounding suburbs, the District’s willingness to pool resources to create a paid family leave program draws the finest talent to the city. In conjunction with paid family/medical leave, a combination of family and workplace investments—including universal pre-kindergarten for three- and four-year-olds, fair scheduling, and minimum wage increases—empowers employers to attract the brightest and most adept workforce from across the country to work and start families in the District.

## ***Paid Family Leave in California and New Jersey***

In California and New Jersey, paid family leave addressed concerns about public health and income inequality without posing a serious threat to economic growth or capital flight. California implemented its paid family leave program in 2004, guaranteeing six weeks of paid leave and replacing 55 percent of wages for low-income workers. After five years, the overwhelming majority of employers in diverse industries reported either positive or neutral impacts on productivity, profitability and performance, and turnover, and employee morale. Additionally, employee retention after leave increased from 74 percent among employees who did not utilize paid family leave to 83 percent among those who did.<sup>11,12</sup> New Jersey adopted a similar program in 2009 funded by a combination of taxes on employee and employers, which replaced 66 percent of wages for low-income workers. The majority of employers (69 percent) experienced positive or neutral effects on their profitability.<sup>13</sup>

When each of these state’s legislatures considered these policies, employers raised similar concerns to those shared by the D.C. business community: They worried that paid family leave would lead to economic disaster, fraud, and abuse, and would have minimal impact on employees while seriously hurting the employers’ bottom lines. Yet despite these reservations about fraud, 91 percent of employers in California reported zero instances of paid leave abuse.<sup>14</sup> In New Jersey, where employers worried they would be unable to recoup the costs if too many employees took leave at the same time, most employers (74 percent) reported no more than two employees had taken leave in a 12-month period, and they were able to cover the work of employees on leave by temporarily assigning tasks to other employees.<sup>15</sup>

Introducing programs in these states most directly affected low-income workers, narrowing disparities between rich and poor. Prior to 2004, black, non-college educated, and single mothers averaged about one week of leave compared to three to five weeks for their non-Hispanic white, college-educated, and married counterparts. After the implementation of a paid family leave program, the former group averaged about four to seven weeks of paid leave while the latter experienced an increase to six to seven total weeks.<sup>16</sup> Without unraveling the fabric of state economies, this government initiative lessened the impact of the “benefits gap” that divides population by gender, class, race, education level, and marital status, allowing families of all kinds to invest in their children’s health and childcare necessities.

Investing in workers and families did not facilitate economic collapse or the misuse of these funds. Rather, this investment sustained families while neutrally or positively affecting businesses. Paid family leave improved families’ health outcomes and ability to arrange childcare and lessened the gap of income inequality. Seventy-two



percent of employees in low-income jobs who utilized paid family leave indicated greater ability to secure childcare arrangements, compared to forty-nine percent of those who did not participate in the program who secured childcare.<sup>17</sup> Paid family leave also increased the likelihood of vaccinations among New Jersey children, compared to a regional control group.<sup>18</sup>

## *Case Studies of D.C. Employers: Paid Leave and Strategies for Business Success*

### **METHODOLOGY**

Many D.C. employers rightfully acknowledge that, in contrast to employee tax-funded programs in California and New Jersey, the proposed D.C. paid leave funds are derived from a tax of up to 1 percent on employers' wages and salaries paid per year. But this need not be an obstacle to the bill: The following nine case studies highlight how business owners plan to modify their business models to maximally benefit from paid leave for their employees while protecting their bottom lines. These employers are members of the D.C. Paid Leave Coalition, which submitted a letter to the D.C. Council and Executive Office of the Mayor in favor of the UPLA. As coalition members, each employer volunteered to answer a series of questions either via in-person or phone interview. They were asked about what they see as the bill's benefits to their business and to their employees, and about their ongoing management strategies to afford paying for the new policy.

Comparing the ideas and strategies of these nine businesses to research in New Jersey, California, and Europe does not fully account for the effect of paid leave on the District economy; further research will be required to assess the plan's impact, especially regarding nonprofit institutions and businesses in D.C.'s lowest-income wards. Nonetheless, these nine accounts provide a primary insight into the need, desire, and benefits that the UPLA presents to small businesses across the District.

#### **Flying Fish Coffee and Tea**

Type of Business: Food Services

Owner: Michael Visser

Location: 3064 Mount Pleasant St NW

Ward: 1

At any given time, Michael oversees 7–12 full-time and part-time employees. He provides seven days a year of paid time off to full-time employees and three days to part-time employees. Having opened Flying Fish in 2011, he understands that restaurants run on tight profit margins, but he also thinks restaurants like his have a role in their community. For business owners, this service includes working within reason to support the lowest compensated workers.

Michael estimates that the 1 percent tax will cost approximately \$5,000 per year for his business, a price he can afford by raising the price of tea by just five cents. He views this small cost as worthwhile since it allows for hundreds of thousands of people, most notably his employees, to care for loved ones in times of crisis. From his own experience, Michael recognizes that employees are more productive when they are not burdened with worries about basic necessities and care for their families.



In Michael's opinion, paid leave benefits employer and employee alike. He suggests that the Council evaluate regulatory barriers to restaurant success in the District. As part of a more holistic approach to supporting local employers and employees, Michael suggests that the Council look to reduce the charge for inspections, trainings, and certificates, cost that restaurants owners are then forced to pass on to consumers and employees. For example, owners of restaurants and bars face high expenses when applying for liquor licenses and accommodating the health code. Similarly, the District requires food service managers and business owners to obtain certification every two years, although the certification class is available solely through a private company at a cost of \$200 per manager biennially.

### **Grassroots Gourmet**

Type of Business: Food Services

Owner: Sara Fatell

Location: 104 Rhode Island Ave NW

Ward: 5

Sara sees her business as “my life, my everything.” With six employees, she operates a bakery in the Bloomingdale neighborhood. In addition, she hopes to start a family in the District in the years to come. Under the UPLA, Sara can also takes up to 12 weeks of leave as an employer. She believes that the only way to successfully run a business while also becoming a mother is by having a public paid leave program that creates an insurance pool for all workers. From Sara's perspective, the absence of paid leave in her industry impedes employees' capacity to practice self-care. They must choose between losing hours or even losing a job and healing or connecting with loved ones. When faced with this decision, many of them opt to work, subjecting themselves to deteriorating physical and emotional conditions.

The effect of this predicament impacts Sara's profitability and productivity. She reports extremely high turnover, which deters her ability to maximize business output. As the Center for American Progress finds, continuously training new employees hurts profitability.<sup>19</sup> Sara notes that paid leave could be an instrument for recruitment that bolsters the District's restaurant workforce, drawing bakers or servers who might otherwise take jobs in Silver Spring or Arlington.

Sara feels that the overall gains of paid leave would result in a net neutral expense for her business. After calculating what a 1 percent tax would represent for her annual expenditures, she equates it to \$3 or one cupcake per day. Sara finds it nonsensical not to expend one cupcake per day to provide this buffer for herself, her employees, and all working people. She argues that paid leave allows prospective employees to “take this job and make it a career.” Sara suggests that if the District really wants to bolster small business, it should pass paid leave but also provide a small business tax credit or another money-saving mechanism to help defray the cost of other worker benefits, such as the increased minimum wage.

When the District establishes a paid leave program, Sara plans to encourage her employees to use it as necessary. She says that employers need to work with their employees to generate a plan. Rather than intimidate her staff about lost time or wages, Sara seeks to foster trust with them and derive long-term gains for the bakery via morale and productivity.

### **Pleasant Pops**

Type of Business: Food Services

Owner: Roger Horowitz





Locations: 731 15th Street NW and 1781 Florida Avenue NW  
Wards: 1, 2

Roger Horowitz owns Pleasant Pops, a café and popsicle shop, which opened in Adams Morgan in 2012 and in downtown D.C. in 2015. Many members of Roger’s 25-person staff are women of childbearing age, and he regrets not having the capacity to afford them paid leave. He returned to work five days after his son’s birth. Beyond his personal stake in the issue, Roger sees the Universal Paid Leave Act as a strategic piece of legislation for businesses. It cushions him with financial security to conduct business, and it allows him to provide employees the time they need to recuperate and maximize their productivity at work, including employees who have worked while managing homelessness and its effects on physical and mental wellbeing.

Roger argues that for any business, particularly a restaurant, “the automatic response to a new tax should be no”; however, he views this program as a tool for retention. California’s experience, in which 80 percent of employees returned to the same employer after using paid family leave, suggests he may be right. Roger reports that “most of his employees move onto a job with paid leave when they decide to start a family.” If this policy replaces the costs of continuous advertising, recruiting, and interviewing, he views it as a better deal and “part of the price of doing business.”

Generally, when one of his employees decides to go on leave, Roger hires somebody to fill the shifts. With the naturally high turnover in his industry, he knows the schedule will readjust in time. By making accommodations for unpaid leave in advance, Roger gains two employees for the price of hiring one: the trained employee on leave, who plans to return, and a new one possibly ready to start a career and family of his or her own.

If the District really wants to save small employers money, Roger suggests that they transform the economy into a “functional place to do business.” The District provides him few guidelines for the myriad permits and licenses needed to exist as an establishment. The costs of paid leave will have minimal impact on how he conducts business compared to the dearth of easily accessible applications and checklists for business owners online, which necessitates several expended hours each year traveling to D.C. government offices for filing and approval. He imagines that if the District updated these processes as well as unemployment services for 21st century technology, they would afford business owners the capital necessary to make the “paid leave investment.”

## **ACE Hardware**

Type of Business: Retail

Owner: Gina Schaefer

Locations: Six stores in the District in Adams Morgan, Mt. Vernon Square, Tenleytown, Woodley Park, Glover Park, and Logan Circle

Wards: 1, 2, 3, 6

Gina employs 170 people in the District of Columbia. As of now, she provides vacation, sick leave, and unpaid family/medical leave as needed. Absent government intervention, she finds that there is no way she could provide what she sees as a “game changer for low-income workers and young, pregnant women.” She supports universal paid leave in spite of the 1 percent tax, as she argues that this is a “small price to pay.” Estimating a \$40,000 cost based on wages paid at her six D.C. locations, Gina saw universal paid leave as an opportunity for her, and all business owners, to reevaluate revenue sources and expenditures.

Gina recommends evaluating all contracts, seeking to negotiate cost savings or opting for a more affordable or more comprehensive provider of the same service to manage the costs of paid leave. She also examined how to





raise prices to substantially impact her business model without affecting consumers. For instance, Gina expects to raise the price of keys by 10 cents with the passage of the UPLA. This almost unnoticeable change to the customer would reap huge benefits for Gina, allowing her to afford the 1 percent employer-based tax.

As a retailer, Gina spoke of the need to maintain a certain number of employees at her stores at any given time. To accommodate employees on leave, she plans to hire an employee who knows upfront about the position's temporary nature or shift the schedule to fit the needs of her existing staff and employees on leave.

With knowledge accumulated about owning a small business in D.C. since 2003, Gina asks D.C. policymakers to review the unnecessary, outdated, or burdensome costs they place on business owners. She requests that the mayor and councilmembers who stand with the business community reevaluate the system of inspections, verifications, and licensure that annually poses troublesome costs to small-scale employers. As an example, Gina mentioned paying \$25 per store per year to validate her weights and measures (i.e. verification that a meter stick in a store is exactly one meter long).

### **TCG Inc.**

Type of Business: White Collar Professional Firm

Owner: Daniel Turner

Location: 306 Florida Ave NW

Ward: 5

Daniel employs 112 people at this government-contracted technology firm, providing them three weeks of paid leave for the birth or adoption of a child. Within its current parameters, paid leave does not threaten Daniel's business. He intends to utilize the funds he currently expends for his employees' three weeks of leave to supply them full pay for the first two to three weeks of leave and then allow the District program to sustain them for their remaining time. Adjusting prices and raises over two to three years will allow him to manage the minimally burdensome tax.

Moreover, because his firm works on contract, Daniel finds the task of managing employees on leave simple. By communicating clearly and strategizing with employees, he avoids assigning contracts to people who intend to take extended periods of paid leave. However, the nature of his business puts the employee at the mercy of the client. To mitigate this factor, Daniel will rearrange existing employees' schedules during busier periods or during emergency cases, depending on the required skillset and nature of the contract.

According to Daniel, the UPLA would improve the work environment through a "natural effect on morale" and empower him to add another piece to the benefits package he offers while recruiting. He plans to add paid leave to his pitch to potential employees, as he believes this benefit supplements his promise of a 40-hour workweek. The policy also provides motivation and opportunity for telecommuters to work in the District.

Overall, paid leave grants Daniel the opportunity to match larger firms that can afford to provide comprehensive family benefits and reap the positive consequences for business. Google, for instance, found that after factoring in recruitment costs, its five-month paid maternity plan was cost-effective, improved employee morale, and closed the gap in the attrition rate for recent mothers compared to the rest of the company.<sup>20</sup>

### **Spiggle Law Firm**

Type of Business: White Collar Professional Firm



Owner: Tom Spiggle

Location: 4830 31st St S, Arlington, VA (Planning to move to open in K St. NW)

Ward: 2

Many economically conscious policymakers fear that imposing a paid leave tax will encourage businesses to open additional offices in Arlington or Bethesda. On the contrary, Tom Spiggle plans to open an additional office in the District of Columbia, in part due to this very policy. Tom, who practices employment law, says, “If you want to be a D.C. law firm, Arlington doesn’t cut it.” A former federal prosecutor, Tom prefers the work environment and style at a small firm. He acknowledges that part of what inhibits most people from making this switch is the robust benefits packages that the typical large-scale law firm can provide for employees.

When asked about how to cover the 1 percent tax, Tom notes that small businesses pay the equivalent in “losses due to turnover to larger companies.” Paid leave grants Tom the opportunity to promote loyalty to his firm and train his employees with decreased fear of squandering this investment due to turnover. A tax of 1 percent impacts neither his financial nor labor models, as he does not foresee increasing rates to offset costs. His firm uses the platform Basecamp to monitor projects and cases; at a given time, any of his employees could require leave (including unpaid leave as of now), but Basecamp allows any attorney to work on a colleague’s case, providing flexibility while sustaining the attention to detail necessary to practice law.

## **AGH Strategies**

Type of Business: White Collar Professional Firm

Owner: Andrew Hunt

Location: 5509 Colorado Ave NW

Ward: 4

AGH Strategies is a CiviCRM communications firm with six employees. Employees accumulate 2–6.5 weeks of paid leave at the company depending on the length of their tenure. Owner Andrew Hunt believes that this policy enhances the quality of his business. Recognizing the need to prepare for employee exigencies, Andrew provides paid leave to minimize the costs of unpredictable circumstances. Hoping to expand coverage for his employees, he embraced the Universal Paid Leave Act. Ideally, he wants to give his employees 12 weeks of leave but can only afford six on his own. However, he could afford a tax of 1 percent in order to pay for his employees to take that ideal amount of time, if required. This pool of funds ensures that no singular business takes an unaffordable leap in providing paid leave for its staff.

Any business, including Andrew’s, involves a degree of risk. According to him, though, a paid leave policy reduces the risk associated with lost wages, human-specific capital, time, energy, and productivity. He plans to inform his employees about the program via meeting or memorandum, announcing it as a real option. Furthermore, he plans to incorporate it into his set of perks in interviews while recruiting new talent, adjusting raises and starting salaries to factor in this benefit. For Andrew, paid leave “shifts the burden off the owner so that we do not have to dole out the whole cost.”

## **English Teacher Collective**

Type of Business: Self-Employed

Owner: Julie Yoder

Location/Ward: Works throughout Washington, D.C.



Julie Yoder owns a private tutoring service for English language learning for international professionals, students and travelers. Julie's employees work part-time as contractors, but it is important to her that they obtain the care that they need. Initially, she turned to the private market, searching for a paid leave policy without a cost-prohibitive premium. When she failed to find an affordable policy for individual disability, she accepted a group policy. However, this policy failed to cover her, as the employer, when she could not work for two months due to a case of shingles. Julie recounts that as a self-employed individual, she argued tirelessly for 9 months against her insurance agency, which generated every possible excuse to refuse her coverage. In hopes of a better policy for herself and employees she chooses to hire, Julie turned to the proposed universal paid leave program.

Working from multiple locations cuts many overhead and rental costs for Julie. The cost of health and disability insurance greatly exceeds 1 percent of wages and salaries paid. She believes clear, proactive communication about the benefits of this policy would be essential to make this policy function in her workplace.

Instructors in the tutoring business typically do not receive benefits of any kind. Given the rising cost of living in the District and the region, Julie has found quality recruitment and retention critical, yet increasingly difficult. She already pays more than the typical hourly rate in her field, but she intends to decrease her starting offer and supplant it with this guaranteed benefit. She wishes to expand the scope of her talent pool to tutors in Maryland and Virginia, effectively recruiting them by promising them paid family leave.

In periods when leave is required, Julie says people "can't work to their full potential," making relatively short paid time off from work more cost-effective for business owners. Julie wants all business owners to note that this program is an employer benefit as much as it functions for employees. Facing shingles as an employer, she realized the fragility of her business's long-term success due to her lack of coverage. For small businesses, that coverage is particularly difficult to provide privately without majorly sacrificing profitability.

### **Emily Goodstein Photography**

Type of Business: Self-Employed

Owner: Emily Goodstein

Location: Emily's home

Ward: 2

Emily is a young woman living in the District of Columbia. Many of her friends of a similar age recently quit their jobs and/or moved due to a lack of paid family leave and the cost of living in D.C. As a photographer, Emily misses one to two events per year due to sudden illness. Although she maintains contact with a few colleagues in case of these emergencies, in each of these instances, Emily prioritized her self-care over her income, a difficult choice in a place with such a high cost of living. But taking three unpaid months off from photography to start a family would spell economic disaster for her personal financial wellbeing and that of her business.

In Emily's words, healthy employees "make the city function better." Emily supports paid family/medical leave because she believes it prevents employees from being distracted with newborn infants, personal sustained illness, or ailing parents, and boosts productivity. In a world of unpaid leave, taking time to care for oneself often results in job loss. In her industry, losing a quality employee means losing an artist rich with human-specific creativity and capital.

The tax of up to 1 percent covers the losses otherwise incurred to employee turnover, and it is so small that it does not require Emily to raise prices. She says any business should be able to restructure itself to pay for a tax of up to 1 percent.



Emily notes that losing employees cripples the D.C. economy, preventing employers and employees from fully utilizing existing talent, skills, education, and training opportunities. She suggests that employers talk to their employees about their reason for taking leave and create a work plan for before, during, and after the leave period. Paid leave is not the only tool that working people need, but when combined with other proactive management, communication, and investment regarding one's own stability, it eases the transition between working, starting or caring for a family, and reentering the workforce.



## *Conclusion and Policy Recommendations*

Employers of different sizes and in various industries see net benefits in the District's proposed paid leave policy. They foresee small costs that are manageable with slight modifications of prices, starting wages, and raises and worthwhile compared to the large benefits for employees and employers alike.

Foremost, employers emphasize the need to reduce turnover across industries. People bring specific skills, knowledge, relationships, and capital to their positions, and it requires significant time and money to replace these employees. Employee turnover costs 20 percent of an employee's salary on average, increasing when more specific skills and education are required for a job.<sup>21</sup> Across the world, female labor participation rates positively correlate with paid family leave policies. For the macroeconomist, a lack of paid leave represents a \$500 billion annual loss for the U.S. economy and an 8 percent gap in potential versus actualized female labor participation.<sup>22 23</sup> Local business owners, from coffee shops to hardware stores to law firms, also see these losses as impacting their bottom lines, as training and hiring processes require significant investment of funds that could otherwise be spent on enhancing the customer experience and expansion.

The prospect of paid leave boosts D.C.'s competitiveness and presents an opportunity for small business owners to recruit talented employees from across the region and the country. This helps counteract one of the primary attractions of big firms, which is their larger benefits packages. Closing this gap allows a lawyer like Tom Spiggle to compete with the District's largest law firms. If other employers follow his lead in expanding in the District because of this benefit, the District can not only lead on caring for families in the workplace but also strengthen small businesses' economic prospects.

According to the employers who were interviewed, a 1 percent tax on wages and salaries paid proportionally would not make or break a business in the District. As Gina Schaefer noted, the UPLA presents an opportunity for businesses of all types to reevaluate their revenue sources and expenditures. Potential savings exist in renegotiating contracts or finding commonplace items in which a marginal price hike would have a large influence the bottom line. Employers mentioned raising the price of tea or keys by a few cents as a way of covering this annual tax. Other employers emphasized looking into raises and starting salaries and communicating changes in those figures due to added benefits.

District policymakers and employers can look to the examples of California and New Jersey over the past five years for best practices and examples of what to avoid. California's success was built upon one of the common theme from my interviews with District employers: communication. Sixty-three percent of California employees who participated in the paid family leave program discovered the program via information distributed by an employer. However, a disproportionate number of Latino and low-income workers did not take advantage of this statewide benefit due to a wage replacement rate that was too low and a lack of awareness of the program's existence. Many employers intend to highlight this matter with their staff and in interviews, making long-term plans with employees who plan to take leave or in case of an emergency. This dialogue allows employers to develop loyalty and establish clear expectations.

Despite critics' warnings, firms in New Jersey and California experienced neither mass exodus nor abuse of the program by employees. Still, for employers who fear the loss of labor, District employers suggest various industry-dependent strategies. In retail and food services, where turnover is naturally high, employers can hire new people to cover missing shifts, eventually allowing the schedule to settle. For firms with more permanent, tiered



positions, software allows for collaboration and sharing of resources so that other employees can work with clients or cases while someone takes extended paid leave.

To maximize the effects of paid leave in the District, policymakers and small business owners should collaborate on reducing and eliminating unnecessary, outdated, or cost-prohibitive regulations, including but not limited to certification and licensure fees, gaps in technological accessibility, and required regulations that place the financial burden on the employer despite the lack of choice in compliance. In addition, the District should strategically engage with the public about the availability of this program. Eileen Appelbaum and Ruth Milkman have suggested that California should partner with hospitals, medical clinics, and doctor's offices to increase access to information about the state's paid family leave program.<sup>24</sup> D.C. should begin to engage with these same institutions prior to implementing the UPLA. Likewise, the District should produce literature to post in workplaces about the new benefit, as it already does for employment laws, unpaid leave, and the minimum wage. This would serve to benefit both employees and employers, who pay this tax regardless of whether or not their employees take leave.

This report provides a glimpse at the potential economic benefits of paid leave for covered employers in the District. In the words of Daniel Turner from TCG Inc., "Paid leave isn't the cheapest or most fun or easiest option... but that doesn't mean it isn't worth doing." Investment in this program will produce lasting returns for the future of families, businesses, and the workforce in the District of Columbia.



# Endnotes

- 1 Appelbaum, Eileen, and Ruth, Milkman. "Leaves That Pay: Employer and Worker Experiences with Paid Family Leave in California." January 2011. Accessed August 8, 2016. <http://cepr.net/documents/publications/paid-family-leave-1-2011.pdf>.
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