

**REPORT FROM
THE FIELD**



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Small Business Owners and Family Friendly Policies

Bipartisan Policy Center and Public Private Strategies

**PUBLIC PRIVATE
STRATEGIES**


Bipartisan Policy Center

OVERVIEW

Profound social and economic shifts over the last few decades have transformed the lives of working Americans and created new challenges for American families. A confluence of trends—the rising participation of women in the labor force; an increasing number of single-parent and dual worker households; the growth of non-traditional employment; higher living costs, especially in many urban areas; unaffordable or inaccessible quality child care; and the loss of stable, high-quality, middle-wage jobs—has greatly increased the difficulty of balancing work and family commitments for millions of Americans. Because it is no longer possible for many to support a family on a single income, far fewer households have the flexibility to forego paid employment to meet caregiving demands.

By the early 1990s, nearly three quarters of women between the ages of 25 and 54 were in the workforce—up from about 50 percent in 1970—while the share of women with children who worked outside the home had grown even more dramatically. At the beginning of 2020, women represented the majority of the U.S. workforce and in two-thirds of households with children under the age of five, all caregivers were in the labor force. For these individuals, access to child care and a paid family leave policy is critical to their involvement in the workforce and their success in the workplace—and, ultimately, for their family’s wellbeing and prosperity.



PAID FAMILY LEAVE

Many Americans, when faced with a significant caregiving challenge—the birth or adoption of a child; the need to care for a young child or elderly relative, or in some instances both; or their own medical illness or disability—find themselves in an untenable situation. They can't meet their caregiving responsibilities while working, but they also can't afford to take unpaid leave or lose their job. Not surprisingly, these trade-offs are especially difficult for low-income households. Because of these factors, it is estimated that one in four women return to work within two weeks after giving birth, which can have lasting consequences on the mother's health and the child's development.

Research on the effect of family and medical leave insurance points to several economic benefits, especially for women, including increased labor-force participation, improved employee retention and productivity, and increased lifetime earnings and

retirement security. By reducing employee turnover, as well as employee absenteeism and tardiness, and by helping companies attract and retain higher-quality workers, paid family leave policies can also provide tangible benefits to employers. For instance, a study out of Rutgers University found that the employee retention and productivity benefits of such policies equal or outweigh the costs to their employers.

Despite these clear benefits, 81 percent of Americans do not have access to a defined paid family leave benefit from their employer, and those who do are concentrated at the highest income levels. For example, only six percent of workers with earnings in the lowest 10 percent of weekly wages can access paid family leave. By contrast, more than a third (34 percent) of workers with earnings in the highest 10 percent of weekly wages have access to paid family leave.

CHILD CARE

In the United States, parents rely on a diverse set of child care arrangements and options to meet their particular and widely varying circumstances and needs. In 2016, 60 percent of children under the age of five participated in at least one nonparental care arrangement, including a center-based care program, care in the provider's home, a faith-based setting, or care from a nanny, relative, or friend.

Despite wide acknowledgment of the importance of high-quality care and learning opportunities for young children, and despite increased public, private, and philanthropic investment to expand access to these opportunities over the last several years, the reality is that available resources still fall far short of the need. As a result, millions of low- and middle-income families continue to struggle to find affordable, reliable child care, and too many children spend developmentally crucial years in environments that fall short of providing optimal conditions for them to thrive cognitively and emotionally. Over half of parents surveyed by the Bipartisan Policy Center in late 2019 found it difficult to find quality child care within their budget, and over 40 percent said they had gone into debt to afford child care.

Though these problems plagued the child care system long before the COVID-19 pandemic, the realities have become commonplace for too many families. What millions of parents struggled with prior to the pandemic has led to a public understanding that America faces a growing child care crisis, led primarily by three driving factors. First, with more parents of young children in the workforce, particularly women, demand for child care is higher than ever, especially for infant and toddler care. Second, care for young children is expensive in every community around the country, and has become a major financial hurdle for many families. The child care service simply costs too much for most parents to afford, and there are no market levers available to decrease the costs for families. Third, a growing body of evidence indicates that disparities in life begin far earlier than ever imagined, well before school age, which is in turn bolstered by advancements in neuroscience that point to the earliest years as being the crucial time for cognitive and emotional development.

THE BUSINESS CASE

Almost half of the workforce is employed at a small business, defined as under 500 employees. Small businesses and their employees are the backbone of the American economy, and are steadily growing—companies with 20 to 99 employees represent the largest share of small business employment, and companies with fewer than 20 employees saw the largest job growth in 2019, adding 1.1 million net jobs.

Business owners benefit from their employees having access to child care and paid family leave supports. When companies offer child care assistance, employee absences decrease by up to 30 percent and turnover declines by as much as 60 percent, while access to paid leave policies improve employee satisfaction and decrease turnover. All together, employees' child-care related problems result in U.S. businesses losing approximately \$13 billion per year, which could be mitigated by a strong child care system.

Yet, small businesses in particular are at a competitive disadvantage when seeking to offer their employees family-friendly policies such as paid family leave or child care assistance. Individuals who work for small companies are less likely to have access to a parental leave policy than those working at large companies, and less than 10 percent of companies offer a child care benefit.

Although many small businesses recognize the need for family-supportive policies, they do not necessarily have the resources, capacity, or scale to offer such benefits or to influence public debates regarding such policies on a large scale. In setting public policy agendas around child care and paid family leave, it is therefore critical to understand the voice of the small business community.

As a result, working families are left on their own to make impossible decisions on how to balance work, family, and health, and often force parents, mostly mothers, to reduce hours, turn down promotions, or switch from full-time to part-time work. In some cases, it prevents workforce participation all together. Paid leave policies and access to child care are proven to mitigate those risks, as well as boost employee morale and productivity, provide financial stability and a continued attachment to the workforce, and shrink the income disparity between mothers and other workers—the so-called “motherhood gap,” a major driver of the nation’s persistent gender pay gap.

Against this backdrop, the Bipartisan Policy Center and Public Private Strategies sought to better understand small business owner perspectives on family friendly policies that could support their employees, their business, and ultimately, their community.



SMALL BUSINESS LEADER ROUNDTABLES

The Bipartisan Policy Center and Public Private Strategies together organized a set of strategic, focused roundtables with small business leaders from the private sector to better understand employer perspectives around current policies, and identify potential opportunities to better support employees with caregiving responsibilities. Each roundtable was designed to identify issues important to both small business owners and their employees, pinpoint barriers to change, and spark new ideas about how businesses can design and advance policies that give employees the support they need to care for their young children.

LOCATIONS AND OVERVIEW

The intended scope of the project included hosting five roundtables in key strategic states. In the fourth quarter of 2019, we were successful in speaking with eight business owners in St. Louis, Missouri, and in Cleveland, Ohio.

The next three roundtables were set to be held in the first half of 2020 in Miami, Florida; Atlanta, Georgia; and in Salt Lake City, Utah. In Florida, we planned to speak with members of the Hispanic community, and in Salt Lake City, we planned on traveling to a more rural part of the state to speak with business owners. Unfortunately, the onset of the COVID-19 pandemic early in the year required an adjustment to the scope of the project as it prohibited us from traveling to these locations. It also necessitated a shift in our information

gathering approach, as given the uniqueness of the crisis, we had to identify how businesses were responding to the crisis and supporting their employees during the difficult and tumultuous times.

The adjusted work plan included follow-up interviews with half of the business owners who participated in the previous roundtables in Missouri and Ohio, specifically to see how their business operations and employee relations had changed. Additionally, while we had to cancel the final three in-person roundtables, we succeeded in hosting a virtual roundtable with the Georgia Hispanic Chamber of Commerce and five Hispanic small business owners.

SMALL BUSINESS OWNER PARTICIPANTS

Overall, we spoke with 13 small business owners in three locations, and in four follow up interviews. The business owners represented a wide range of sectors, including law, caregiving, manufacturing, consulting, transportation, and support services. Most had been in business for over five years, though we also spoke with a business owner who had just started operating within the year. Each represented a company that employed less than 50 individuals, the majority of whom employed less than 20. The roundtable in partnership with the Georgia Hispanic Chamber of Commerce connected us with five Latino business owners who had unique perspectives on culture, family, and the disproportionate impact of COVID -19 on minority-owned businesses.

STRUCTURE OF ROUNDTABLES

Each roundtable discussion was facilitated by both Bipartisan Policy Center and Public Private Strategies staff, including remarks that introduced participants to the policies and issue areas, and specific guided questions and themes to learn from business leaders. We also provided background material to all confirmed guests meant to educate the attendees prior to the meeting. The conversations were off the record to promote honest and direct feedback, but staff took notes on the discussion.

The main goals of the discussion were to: identify the existing knowledge business owners had about child care and paid family leave; discuss barriers or opportunities they saw as a small business in providing their employees with one or both of those benefits; identify whether businesses thought they had a role to play in offering such a benefit; and what they saw as the most helpful policy for a business owner if they were to offer such a benefit to their employees.

The agenda for each roundtable included the following subjects:

- 1 Key issues in child care and paid family leave, presented by Bipartisan Policy Center**
- 2 Introduction of participants**
- 3 Experiences of small business: paid family leave**
- 4 Experiences of small business: child care**
- 5 Barriers and solutions**

However, as mentioned, the COVID-19 crisis necessitated a shift in the agenda. For the business owners we re-interviewed, we asked how they had changed their policies due to the pandemic, and what their experiences had been in supporting their employees with caregiving responsibilities. For the roundtable in Georgia, we asked how business owners were incorporating family-supportive policies into their response to COVID-19, how these policies might have differed from just a few months prior, and whether or not they were seeing any benefits that might encourage them to create a long-term policy. Similar to the previous roundtable, we asked if they were aware of state or federal policies that would help their business or employees, and if they had engaged in any conversations about what would be best for them, both in the short- and long-term.

KEY TAKEAWAYS, INSIGHTS, AND THEMES

Small businesses are at a disadvantage when it comes to offering employees benefits

Many business owners shared they did not believe they had the same opportunities or room in their budgets as larger corporations to offer either child care or paid leave benefits. They also felt they couldn't afford to offer significant time off without any work being done because the margins are so thin, and the ability to cover for someone more difficult. There was a common understanding that everybody is integral, and offering significant time off would increase costs and decrease outputs, both at detriment to the business overall, and to the other employees who would have to pick up that person's duties while away. A common sentiment among participants was that larger companies were better able to absorb costs and share duties, as well as have access to other federal supports that would help them offer benefits.

A small business doesn't
have that luxury or
flexibility.

– Ohio Business Owner

Small business voices
are often left out.

– Georgia Business Owner

It just becomes part of your
operating cost if you are a
large company.

– Ohio Business Owner

Small businesses want to help – they are flexible and operate like a family

Most small businesses we spoke with had implemented flexible policies that were variable based on the situation and needs of the employee, as well as the ability for other employees to help cover. Many shared that they did not have a structured process in place for any circumstance that might arise. Conversely, there was a common culture where everyone is expected to step up and pick up the job. They act like a family to help each other for the success of their coworkers and colleagues, as well as the business. While most owners seemed to think this worked well for the most part, many also felt this opened room for “taking advantage” of the employer, and required a high level of trust between employer and employee.

It's like a small family. We're all involved. Whatever affects one affects the whole operation.

– Ohio Business Owner

As employers, we are compassionate.

– Georgia Business Owner

There is some navigating and compromising we have to do. But I do it because I have to do what is right.

– Ohio Business Owner



Small businesses recognize their oversized impact on the economy but their relative lack of support

Many small businesses discussed their own impact on their local community, and the impact that small businesses have on the economy more broadly. They also relayed their sentiment that they had a more difficult time staying in business, and that even though they want to help their employees, they have to first think about staying operational and employing individuals before thinking about a benefit package. They also described feeling that larger companies had more opportunities and ways to help their employees, and that they did not have access to the same benefits that larger companies did. Many felt left out of the picture or forgotten about, left on their own to prove themselves worthy.

Instead of the big guys getting a tax cut, give it to the little guys.

– Ohio Business Owner

You have to start with small businesses in order to lift up the whole economy.

– Missouri Business Owner

Small businesses believe financial incentives would help them offer benefits

Nearly every business identified financial assistance as a key tool, and therefore current barrier, to providing their employees with family supportive benefits and policies. Financial rewards for offering their employees specific benefits were seen as necessary to small businesses who operate on thin margins and do not have the room to provide both high wages and robust benefit packages. Many said they wanted to offer these policies but did not have the budget to do so.

It has to reward the correct behavior – what is the reward for doing the right thing? If I do the right thing what is the incentive?

– Ohio Business Owner

You have to monetize [incentives] – what's the dollar impact currently versus how it improves the future environment.

– Ohio Business Owner

I would like something that would help reduce my taxes. Corporations do it all the time so why can't small businesses get that opportunity?

– Missouri Business Owner



Small businesses recognize a federal role in financial incentives and other tools.

When asked who would fund these programs and policies, the majority of business owners recognized the need for federal investments and assistance. Many felt there was a shared responsibility between local, state, and federal governments, but also recognized that city and state budgets are stretched thin and have more competing priorities. They did not express extreme confidence with federal policies, but noted that is where the money is. Small businesses did explain that the federal government already has successful examples of tax incentives that could be replicated to offer small businesses a financial incentive to provide their employees with benefits and family supportive policies.

It has to be state or federal, because the cities have no money... I think federally, they should look at who needs help based on need.

– Missouri Business Owner

The best thing for me would be small business loans, and loan forgiveness – so they are grants – that's what makes the difference, and encourage them in specific places.

– Ohio Business Owner

While the most common recommendation was around tax incentives or small loans, many business owners had creative ideas about how community-wide or locally-driven programs that would help all those in their community, not just those they employed. They also provided suggestions that would help families in their broad ranges of needs, not just in child care or paid leave.

We should start looking into creating [association health plans] for child care because it is for small businesses.

– Missouri Business Owner

A revitalization program in the city: offer businesses a loan but it is forgivable if they revitalize the area they operate, we could use this for the child care system.

– Missouri Business Owner

A hub zone model where there are pockets of opportunity to create a structure for companies that makes sense. There might be dilapidated properties that you could encourage someone to go into and revitalize... adding economic stability to the region.

– Ohio Business Owner

COVID-19 instituted a greater understanding of child care and caregiving needs

In light of COVID-19, business owners shared that they knew their employees are facing challenges as it relates to child care and caregiving responsibilities that result from child care program and school closures. These challenges in turn, have an impact on the business owners. During our follow-up interviews and virtual roundtable, every business owner emphasized their efforts in creating space for their employees to manage their child care needs, including wide ranging flexible work arrangements and a greater understanding of employee challenges and an urge to help them balance work with caregiving responsibilities. Small business owners were more attuned to the personal lives of their employees, and therefore more sympathetic to the challenges they faced, be it caring for a sick child or family member, or dealing with general challenges.

We have let employees work their 40 hours whenever they can (day or night).

– Georgia Business Owner



COVID-19 did not improve business perspectives on federal paid leave policies

One of the most immediate actions that the federal government took in responding to the impacts of COVID-19 was including a temporary, refundable, paid leave tax credit for businesses with under 500 employees. The program allowed for employers to support employees who, due to the COVID-19 crisis, found themselves dealing with either a lack of child care, increased caregiving responsibilities, including caring for COVID-19 infected family members, and/or being required to quarantine due to exposure to COVID-19.

However, the majority of business owners we spoke to were unaware of the new COVID-19 paid family leave benefits. The one business owner who was aware of the provisions indicated that because they already offered a generous paid leave package to employees, they were unlikely to take the tax credit because they feared it would increase their chances of being audited. Most business owners did not indicate interest in the federal program or indicate that their peers had been using the program.

**With the possibility of being audited,
we decided not to pursue the tax
credits.**

– Georgia Business Owner

**Employers don't really understand
how those benefits are applied, they
understand vacation and sick leave
primarily.**

– Missouri Business Owner

**There are more questions than
answers.**

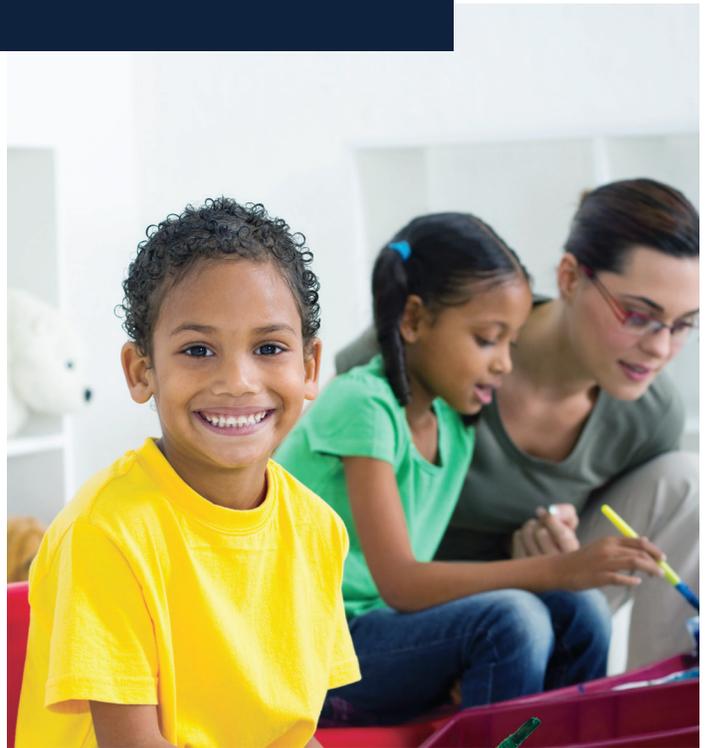
– Georgia Business Owner

RECOMMENDATIONS FOR POLICY CONSIDERATIONS

1. Recognize small businesses are unique from larger businesses, and must be treated separately at the federal, state, and local policy level.
2. Develop flexible policies that will work for a variety of types, sizes, and structures of businesses, instead of a one-size-fits-all approach.
3. Provide financial assistance, preferably in the form of tax incentives or grants, to small businesses to ensure their employees and staff are able to access family supportive benefits, including paid leave and child care benefits.
4. Consider community-wide approaches to help working parents and families, in order to take pressure off of small businesses and other workers.
5. Federally fund programs, but include a mix of state and local control and decision-making power, and consider state and local buy-in or match requirements.
6. Clearly communicate policy and program options to small businesses and provide assistance in understanding and applying for such policies or benefits.

CONCLUSION

Small business owners have immense importance in communities around the country, and their policies impact millions of workers and their families. Throughout our conversations with small business owners, it was clear that they feel a strong duty to their employees to help them out as they would a family member or close friend. At the same time, small business owners rightly feel constrained by budgets and operating margins, as well as the anxiety for producing and staying in business, and ultimately thriving. They know that when their employees thrive, their business thrives, and one way to do that is to support their needs as a caregiver. In considering ways to help families, workers, and the economy, lawmakers should consider policies and incentives that would help small business owners offer family supportive policies for their employees



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- i. <https://bipartisanpolicy.org/wp-content/uploads/2019/10/Building-Bipartisan-Support-for-Child-Care-A-Toolkit.pdf>
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- iii. <https://bipartisanpolicy.org/blog/child-care-poll/>
- iv. <https://cdn.advocacy.sba.gov/wp-content/uploads/2020/06/04144224/2020-Small-Business-Economic-Profile-US.pdf>
- v. https://www.uschamberfoundation.org/sites/default/files/Leading%20the%20Way_0.pdf
- vi. <https://www.strongnation.org/articles/780-want-to-grow-the-economy-fix-the-child-care-crisis>



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