WOMEN'S FOUNDATION OF ALABAMA

Clearing the Path:

Paid leave: Alabama's untapped pro-growth economic development strategy

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2026 Clearing the Path, Paid Leave: Alabama's Untapped Pro-Growth Economic Development Strategy can be viewed and downloaded at www.wfalabama.org.

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EXECUTIVE SUMMARY

Alabama currently faces a serious workforce shortage with labor force participation rates that rank amongst the lowest in the Southeast and the nation.

It is estimated that employers need 106,000 more workers to fill existing available job openings, and about 12,000 more jobs to meet Governor Ivey's ambitious goal of 500,000 credentialed workers to meet the needs of the future workforce. [1] For many women, caregivers, and young workers, their ability to fully participate in the workforce and provide economic security for their families has been interrupted due to the lack of access to workplace supports, like paid leave. Closing the gap in female labor force participation is crucial for completely filling Alabama's workforce shortage, but requires action by the state legislature.

Paid family and medical leave policies place a key pro-growth economic development tool in the hands of state policy makers to meet this challenge and help Alabama's employers and the overall economy continue to grow and thrive. Paid family and medical leave (PFML) is a policy that gives workers paid time off from work over an extended period of time (often weeks) to welcome a newborn, newly adopted child, or new foster child, physically recover from childbirth or a serious health condition, or provide critical care to aging parents and loved ones. Federally, the Family Medical Leave Act (FMLA) provides *job protections* to covered workers who take up to 12 weeks of leave for these reasons (for example, they cannot be fired), yet the FMLA only covers a fraction of the workforce, and perhaps most importantly, the leave is unpaid. In fact, the United States remains one of only two countries in the world, along with Papua New Guinea, that does not provide paid leave at the federal level.[2]

Although some Alabama businesses offer paid leave to their employees voluntarily as part of their benefits packages, many do not—especially in non-salaried job classifications and lower wage industries. As a result, most workers in Alabama cannot take the leave they need for these family and medical emergencies due to financial constraints, fear of retaliation, and family caregiving responsibilities.

A statewide paid family and medical leave insurance program is essential to support Alabama's businesses and workers. Without it, Alabama workers without employer-provided paid leave benefits are forced to choose between taking the time they need to welcome a newborn or recover from illness and earning the paycheck they need to support their families—an impossible choice. **At the same time, too many businesses, especially in low-margin industries, cannot afford to pay their employees to take extended time away from work.** Trapped by these impossible choices, workers—especially women—are forced out of the labor force altogether, driving up employer costs associated with hiring and training new workers, and adding to the state's critical workforce shortage

Alabama is falling behind its peer Southern states, which have adopted these paid leave policies for many workers already. Thirteen states and Washington D.C. have implemented FMLI programs across the country that provide various amounts of leave for paid family leave and/or paid medical leave. Over the past few years, there has been growing momentum in the South to study the impacts of paid family and medical leave programs for the private and public sector. Recently, Alabama took a critical step forward by extending paid leave to state employees and teachers, **but additional work is needed to give more of Alabama's private employers access to this critical tool for attracting and retaining talent, boost the overall health and size of Alabama's workforce, and help Alabama's employers compete in the global economy.**

Central Findings

State-administered paid family and medical leave can play a critical role in addressing Alabama's workforce shortage. In short, paid leave is a critical tool for helping Alabama employers, for the following six reasons:

- **Reason 1. Paid leave strengthens business competitiveness** by reducing employee turnover by 70%, increasing firm productivity by $12.88 per worker per week, raising annual revenue by 4.8%, and increasing yearly profits by as much as 6.8%. In addition, access to paid leave will attract more skilled workers to move to Alabama, as surveys show this benefit is decisive for younger workers—especially those with families—looking to relocate for work.

- **Reason 2. Paid leave will help fill Alabama's workforce shortage by increasing female labor force participation, primarily by helping women return to work after childbirth.** Women who take paid family leave after giving birth are 40% more likely to return to work than those lacking the benefit. In fact, closing the workforce participation gap between men and women would put an additional 200,000 women into Alabama's workforce.

  Thanks to the $9.2 billion in new wages earned by these female workers, **the ripple effects of women entering the labor force at rates equal to men would result in creating 37,000 new jobs, seeing labor income go up by over $11 billion, and produce almost $16 billion in GDP growth.**

- **Reason 3. Paid leave keeps Alabama competitive with other states.** In 2025, Alabama became the 39th state, including peer states like Georgia, Louisiana, Tennessee, and Mississippi, to offer paid parental leave to state employees, but competitor states are already taking steps towards a comprehensive paid leave program that covers private sector employees too: Virginia passed a comprehensive family medical leave insurance program in 2023 (since vetoed by its term-limited Governor) and Louisiana's legislature has already conducted an actuarial study to understand the fiscal impacts of creating a similar program there.

- **Reason 4. Paid leave keeps Alabama's current and future workforce healthy** by reducing infant and child mortality by as much as 10%, reducing mother post-birth rehospitalization—and thus absenteeism—by 51%, and contributing to lowering Alabama's crisis-level maternal mortality rate of 38.6 per 100,000 live births. Research shows that paid leave also promotes the physical and mental health of parents, caregivers, and individuals with serious health conditions. As a result, paid leave ensures Alabama's workforce will grow with its population.

- **Reason 5. Paid leave saves taxpayer dollars and reduces reliance on public assistance.** Workers lose $22.5 billion in wages annually due to taking *unpaid* family and medical leave, which pushes many low-income families to use public assistance programs to cover basic needs. In addition, paid leave keeps workers, especially low- income parents, connected to the workforce after having a child or taking care of themselves or family members' health, lowering the potential use of public assistance programs.

- **Reason 6. Paid leave boosts Alabama's overall economy and creates jobs.** Employees would gain an average $752 million in replacement earnings if the legislature provided them with paid leave. The ripple effects from spending these earnings across Alabama's economy would create almost 3,000 new jobs, increase each worker's paycheck by $300 (for a total of $900 million for all workers), and boost the state's economy by an additional $1.2 billion. These are transformative impacts on Alabama's economy.

Given these benefits, the adoption of a paid family medical leave insurance (FMLI) program for all workers, which pays workers' replacement wages while they are on eligible and approved leaves, would be beneficial to employees and employers across Alabama. This generally involves an insurance fund that shifts the cost of paid leave away from employers, so they are no longer asked to pay for their employees while they are out on leave (unless the employer chooses otherwise). Either the fund will pay employees directly, or it will reimburse the employer, if the employer chooses to continue paying the employees while they are on the leave.

Specifically, the following recommendations are a comprehensive approach to FMLI that have worked in other states:

Recommendations for an FMLI program:

- **Universal coverage that covers all workers, regardless of the size of their employers, to ensure that the program and its protections are broadly accessible.**
- **At least 12 weeks of leave and benefits** during life's most trying moments.
- **A meaningful wage replacement level** that ensures workers, including low wage workers who need as much of their income as possible, can afford to take their leave and fully access the program.
- **Access to PFML for a broad range of covered purposes**
- **An inclusive family definition** that includes parents, spouses, children, grandparents, parents in law, and some significant others to ensure that workers can take leave to care for all their closest loved ones.

Paid leave is a common sense solution for the Alabama legislature to enact as the FMLI program will keep new parents, especially women, and individuals connected to the workforce, improve the health and economic wellbeing of Alabamians, and support employers—especially small business owners—in covering their employees' wages while they are on leave.

Alabama faces a serious workforce shortage, but paid family and medical leave policies place a key pro-growth economic development tool in the hands of state policy makers to meet this challenge and help Alabama's employers and the overall economy continue to grow and thrive.

Legislatures in states across the South have increasingly adopted these policies for many workers, including state employees and teachers, and have realized many positive health and economic benefits as a result. This report reveals the critical ways state-level paid family and medical leave policies can positively impact Alabama's economy, businesses, health, and labor force participation. Specifically, by enacting state laws and policies that provide paid leave benefits to workers in both state government and the private sector, Alabama's governor and legislative leaders can help the state's employers better compete with the fast-growing economies and robust economic development efforts in other Southern states.

Alabama's Workforce Shortage

Alabama's policy makers continue to grapple with a critical shortage of workers that is holding back the state's businesses from successfully competing with the surrounding region and the rest of the nation. Despite experiencing historically low unemployment throughout 2024 (for example, Alabama's jobless rate in October equaled 2.7%),[3] the state's workforce is just too small to meet the needs of Alabama businesses. According to the US Chamber of Commerce, the state only offers 38 available workers for every 100 job openings.[4] In November, this led to 80,000 jobs going unfilled[5]—a workforce hole big enough to pack Jordan-Hare Stadium on gameday.

Although lawmakers have taken important steps in recent years to address the problem, much more remains to be done—unless the state fills this hole, companies will have to look outside Alabama to other surrounding states to find the workers they need. This is a trend elected leaders and economic development officials fear will lock Alabama's business recruitment and expansion efforts and needlessly hold back overall economic growth.[6]

Additionally, Governor Kay Ivey has set a postsecondary education attainment goal of adding 500,000 credentialed workers to the workforce by 2025 to ensure Alabama can offer a skilled labor pool to prospective employers, and the state legislature passed the Working for Alabama package to address this challenge.

Alabama's workforce shortage affects both private-sector employers and the public sector—especially for teachers and state government employees.

In the private sector, state leaders have recognized that their ability to meet the Governor's ambitious goal is hampered by the state's troublingly stagnant pool of available workers, measured by a labor force participation rate (for example, the percentage of Alabamians aged 16+ who either have a job or are looking for one, abbreviated LFPR), which routinely rates among the lowest in the nation. Alabama's LFPR came to just 57.1% in 2023, ranked 47th out of 50 states.[7]

This overall workforce challenge has been magnified over recent years among teachers and state government employees. According to a report from the Governor's Study Group on Efficiency in State Government, Alabama's state employees are experiencing a 20-year high in turnover,[8] and more yet to come, thanks to an aging workforce with almost one out of every three state employees expected to retire within four years.[9] Alabama's education system has also been facing stark turnover and a shortage of qualified educators over the past decade. Estimates show that the cost of replacing the 16,305 first time teachers who left Alabama school districts between 2010 and 2020 was likely to cost the state between $146 million and $652 million.[10]

Fortunately, Alabama's legislature moved quickly during the 2025 session to address this challenge by passing the Alabama K-12 Public School and State Employee Paid Parental Leave Act of 2025, which received widespread support as an important measure to support the health of Alabama workers, families, schools, and government agencies. and ensure that the state and local school districts could recruit and retain qualified employees. Signed by Governor Ivey in April, this legislation takes a critical step forward in helping public sector agencies and local school districts attract and retain qualified employees. **But more work is needed by state policy makers to extend paid family leave into the private sector.**

Paid leave: Alabama's untapped pro-growth economic development strategy

Paid leave is an untapped, pro-growth strategy for addressing these workforce challenges, strengthening businesses, and growing Alabama's economy. As Governor Ivey stated in her recent State of the State address, paid leave will help both private sector employers and state government hire and retain the best workers possible.

Although "paid leave" can often refer to a broad range of policies like paid sick days, this report focuses specifically on paid family and medical leave (PFML)—a policy that gives workers paid time off from work over an extended period of time (often weeks) to welcome a newborn, newly adopted child, or new foster child, physically recover from childbirth or a serious health condition, or provide critical care to aging parents and loved ones.

Although some Alabama businesses offer paid leave to their employees voluntarily as part of their benefits packages, many do not—especially in non-salaried job classifications and lower wage industries. As a result, most workers in Alabama cannot take paid time off for these family and medical emergencies. Federally, the Family Medical Leave Act provides *job protections* to workers who take up to 12 weeks of leave for these reasons (for example, they cannot be fired), yet the FMLA only covers a fraction of the workforce, and perhaps most importantly, the leave is unpaid. In fact, the United States remains one of only two countries in the world, along with Papua New Guinea, that does not provide paid leave at the federal level.[11]

This forces Alabama workers without employer-provided paid leave benefits to choose between taking the time they need to welcome a newborn or recover from illness and earning the paycheck they need to support their families—an impossible choice. At the same time, too many businesses, especially in low-margin industries, cannot afford to pay their employees to take extended time away from work.

Trapped by these impossible choices, workers—especially women—are forced out of their jobs and drop out of the labor force altogether, driving up employer costs associated with hiring and training new workers, and adding to the state's critical workforce shortage.

As a result, state-level paid family and medical leave policy can play a critical role in addressing Alabama's workforce shortage and helping Alabama's employers compete in the global economy. **In short, paid leave is a critical tool for helping Alabama employers, for the following six reasons:**

1. Paid leave strengthens business competitiveness by supporting hiring and retention and expanding the overall labor force.
2. Paid leave will help fill Alabama's workforce shortage by increasing female labor force participation.
3. Paid leave keeps Alabama's competitive with other states.
4. Paid leave keeps Alabama's current and future workforce healthy.
5. Paid leave saves taxpayer dollars and reduces reliance on public assistance.
6. Paid leave boosts Alabama's overall economy and creates jobs.

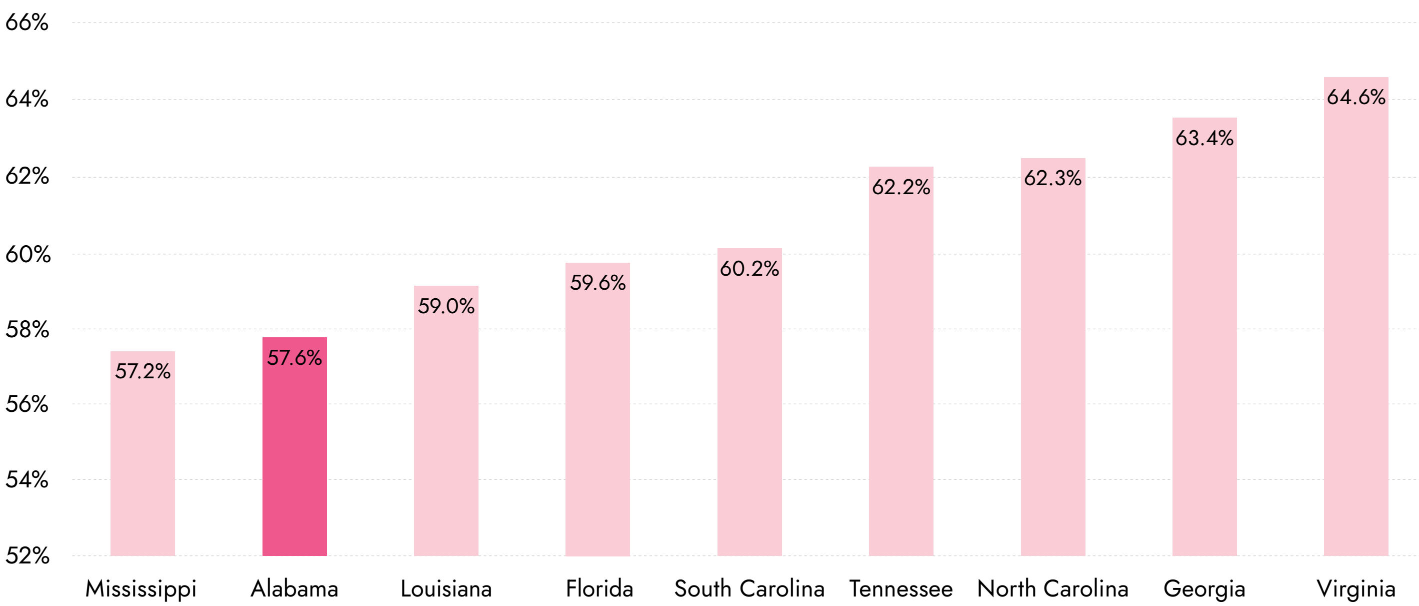
This report is intended to support the ongoing economic development efforts of Alabama Works, the Alabama Workforce Council, the Alabama Development Office, the Commission on 21st Century Workforce, Governor Ivey, Lt. Gov. Will Ainsworth, and other elected and philanthropic leaders.

DEFINING THE PROBLEM: ALABAMA'S WORKFORCE SHORTAGE

Despite record low unemployment, Alabama employers are reporting a striking inability to find enough workers to fill open positions, a gap that holds back their ability to remain profitable and expand their operations in the state.

The key to addressing this shortage is bringing more workers into the workforce and improving Alabama's stubbornly low labor force participation rate, which remains the second lowest in the Southeast and 47th in the nation. Figure 1). For example, the Alabama Workforce Council estimates that increasing Alabama's LFPR by just 1% would result in approximately 39,000 additional Alabamians joining in the labor force.[12]

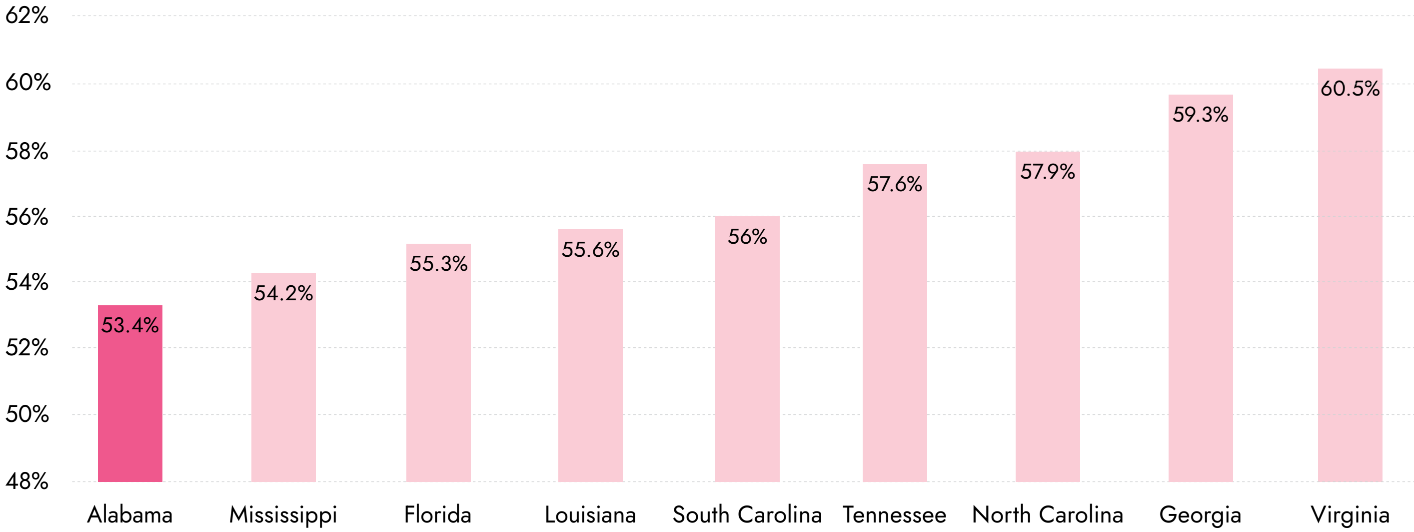
Figure 1. **Alabama has second lowest labor force participation in the South**



Source: *America Community Survey, 5-year estimates (2018-2022), iPUMS microdata extracts.*

As the Women's Foundation and other Alabama leaders have long recognized, the key to expanding Alabama's *overall* supply of labor is to increase workforce participation among women specifically. Over the past five years, only 1.1 million *women* entered or remained in the workforce out of a working age population of 2.1 million—a 53.4% labor force participation rate, the lowest in the Southeast (see Figure 2).[13] This means that barely half of all working age women in Alabama have a job or are looking for work—a clear warning sign that women are not fully able to participate in or benefit from the state's economy.[14]

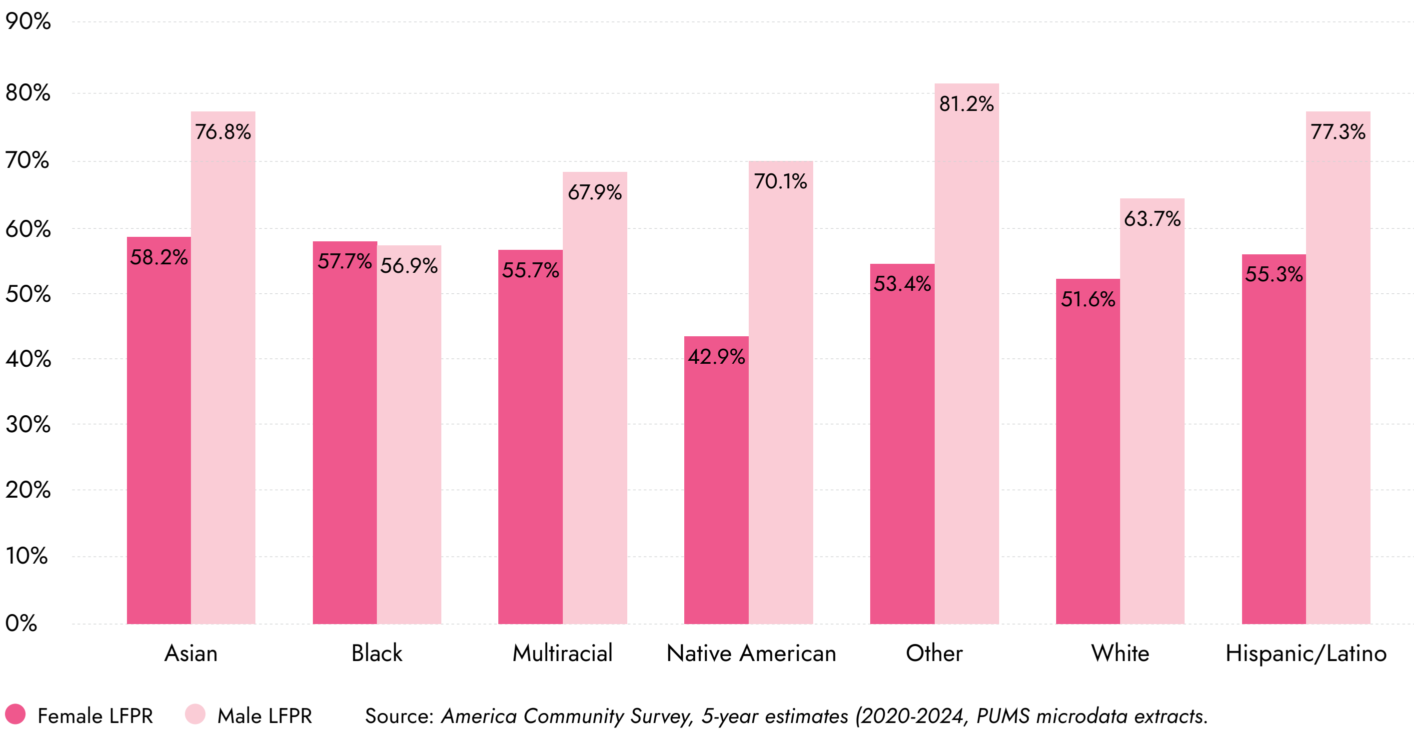
Figure 2. **Alabama has the lowest Female Labor Force Participation Rate in the Southeast**



Source: *America Community Survey, 5-year estimates (2020-2024, iPUMS microdata extracts.*

These trends hold true for women across racial and ethnic lines in Alabama. As seen in Figure 3, aside from Black women, fewer women participate in the labor force than men across racial and ethnic lines. Looking at individual categories, Black and Asian women have joined the labor force at the highest rates, while White and Native women have the lowest. This is likely because 74% of single mothers in Alabama are Black.[15]

Figure 3. **Aside from Black women, Alabama women have lower labor force participation than men along racial and ethnic lines**



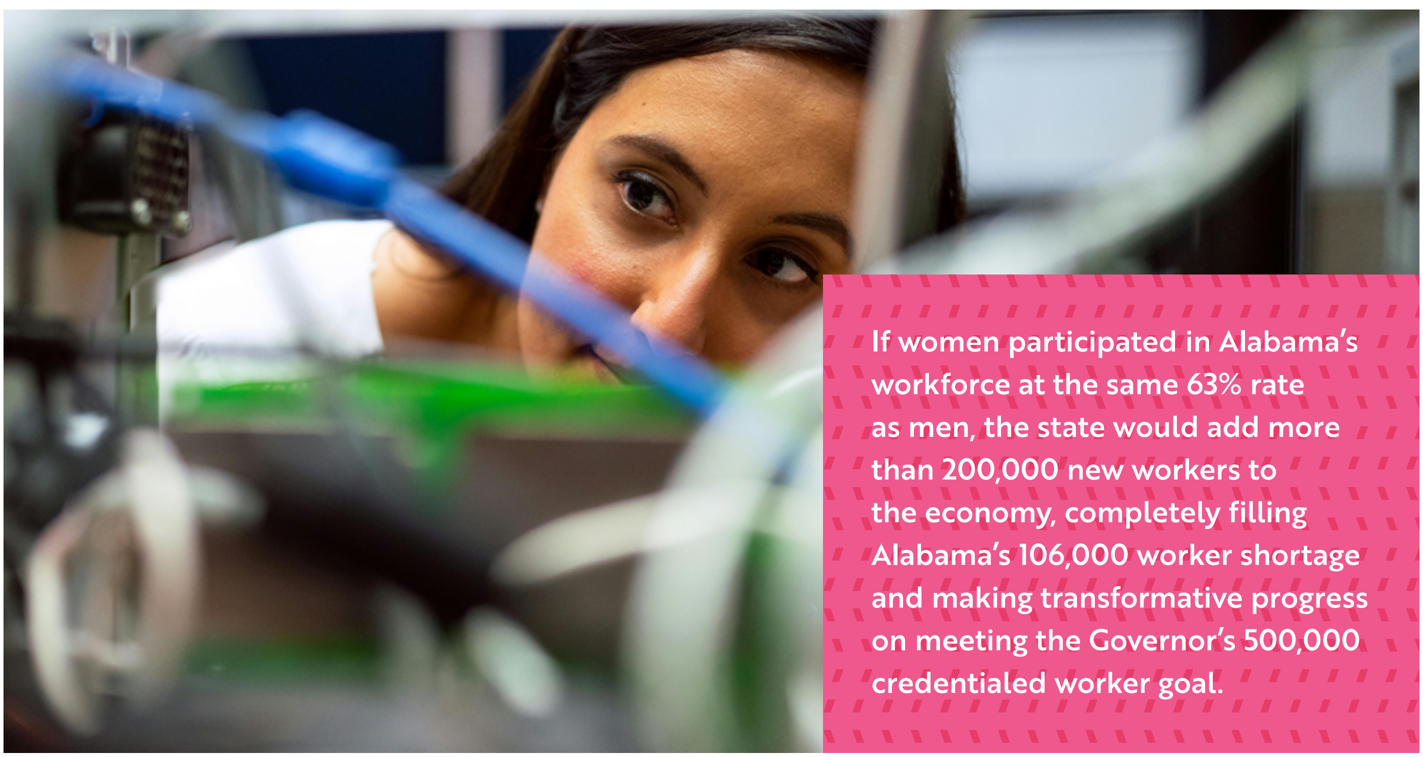
Source: *America Community Survey, 5-year estimates (2020-2024, PUMS microdata extracts.*

For Alabama to compete effectively against its peer states across the region, it must continue to find ways to bring more women into the labor force and overcome many of the barriers that keep them from fully participating in the economy. If women participated in Alabama's workforce at the same 63% rate as men, the state would add more than 200,000 new workers to the economy, completely filling Alabama's 106,000 worker shortage and making transformative progress on meeting the Governor's 500,000 credentialed worker goal.[16]

Unfortunately, women in Alabama face significant barriers to participating in the workforce, most of which are connected in some way with family and parental caregiving—the very challenges paid leave policies are designed to address. As the Women's Foundation has repeatedly found, women are often both primary caregivers and breadwinners—indeed, 74% of Alabama's families rely on a female breadwinner.[17] These factors especially impact women of color since they are disproportionately the sole caregiver and primary breadwinner for the family.[18] These responsibilities often raise significant challenges to women's ability to maintain full-time, continuous work—they take more time out of the workforce and are two times as likely as men to work part-time.[19]

Although Alabama's legislature took important steps forward in their recent moves to increase access to child care and parental leave for public employees—Alabama still remains critically behind peer states in addressing the leading *reasons* women drop out of the labor force altogether—childbirth, recovery, and family health crises. In the absence of paid leave, women in Alabama are forced to choose between earning their breadwinners' paycheck and taking the time they need away from work to welcome a newborn, physically recover from childbirth, or provide critical care to aging parents and loved ones. Facing this impossible choice, many women simply drop out of the labor force altogether.

Taking all this together, it's clear that Alabama must do more to keep women in the workforce if the state is ever to help businesses fill their workforce shortage.



DEFINING THE SOLUTION: WHAT IS PAID LEAVE?

Paid family and medical leave policies are an untapped economic development strategy to keep women in the workforce.

Although a number of policies fall under the paid leave umbrella, we focus in this report specifically on paid family and medical leave (PFML), which refers to policies that give workers paid time off from work over an extended period of time (often weeks) to welcome a newborn or new foster child, physically recover from childbirth or a serious health condition, or provide critical care to aging parents and loved ones.

Different types of paid leave include:

- **Paid family and medical leave:** Paid family and medical leave is a policy that allows employees to take extended time off from work, usually weeks, with partial or full wage replacement, for specific family or personal medical reasons. This type of leave typically covers situations such as caring for a new child, caring for a seriously ill family member, or dealing with one's own serious health condition. Paid family and medical leave policies are broader than sick leave or parental leave policies because they address not only parental needs, but also individual health issues and family-related caregiving needs, promoting work-life balance and economic security during life events that require time away from the job.

- **Paid parental leave:** Paid parental leave is a policy that allows employees to take time off from work to care for a newborn, newly adopted, or newly placed foster child, while still receiving some or all of their regular pay. Paid parental leave supports parents in bonding with their new child and managing caregiving responsibilities without the burden of losing income or a job. Paid parental leave does not include leave for *personal* or *family medical care*.

- **Paid sick leave:** Paid sick leave is a policy that allows employees to accrue and take time off from work, in shorter increments—usually hours or days—due to circumstances like personal illness, medical appointments, preventive care, mental health care, or recovery from medical procedures, while still receiving regular wages. It ensures that workers can recover from illness or manage health issues without the financial strain of losing income.

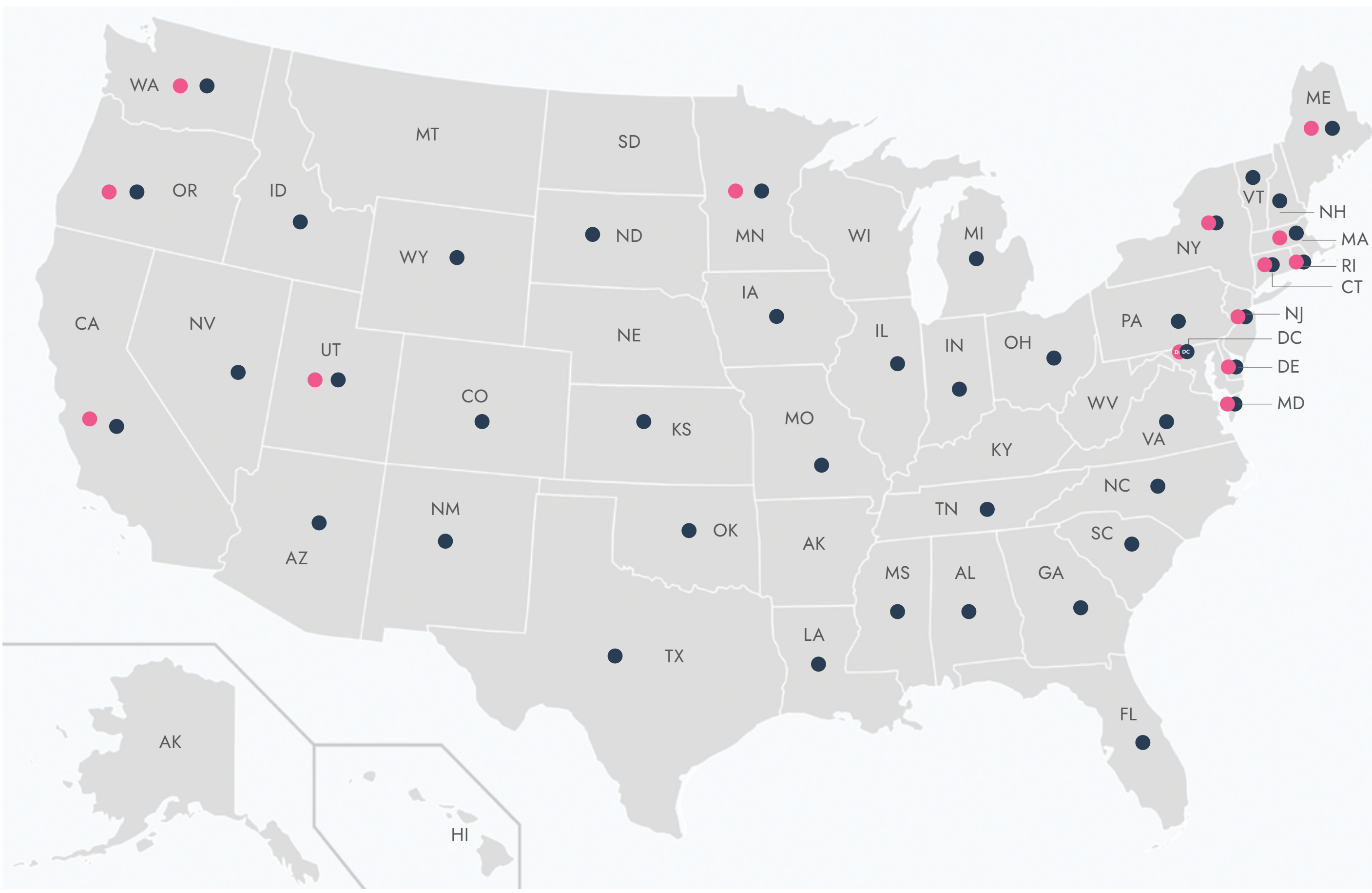
- **Paid safe leave:** Paid safe leave allows employees to take job-protected time off from work without losing pay when they are dealing with issues related to their safety, such as domestic violence, sexual assault, stalking, human trafficking, or other forms of violent victimization on their lives and the lives of their family members. It is intended to help employees seek medical attention, obtain counseling, relocate, or take legal action without risking their job or income. This form of leave may be part of broader sick or medical leave policies or may be a standalone provision under local or state law.

- **Paid bereavement leave:** Paid bereavement allows employees to take time off from work (usually a few days) with pay to grieve and manage matters related to the death of a close family member or loved one. This time is typically used for attending a funeral, making necessary arrangements, and processing the emotional impact of the loss.

- **Paid military exigency leave:** Paid military exigency leave state policies provide paid time off for military family members to take care of a current service member or recent veteran with a serious illness, arrange for alternative child care during a recent deployment, or attend ceremonies when a military family member is deployed.

In recent years, both the federal government and individual states have pursued paid leave programs. In 2019, President Trump signed into law 12 weeks of paid parental leave for new mothers and fathers who are federal government employees to care for a new child.[20] But because the United States does not have a national paid leave program for all workers,[21] many states are building their own—13 states, including California, Colorado, Connecticut, Delaware, Maine, Maryland, Massachusetts, Minnesota, New Jersey, New York, Oregon, Rhode Island, and Washington State, and Washington D.C., have established state paid family and medical leave programs.[22]

***Figure 4*. Map of paid family and medical leave laws and parental and family caregiving leave policies for state employees in the United States**



U.S. states with paid family and medical leave laws   U.S. states with paid parental and family caregiving leave policies for state employees

Sources: *A Better Balance, Overview of paid family and medical leave laws in the United States,*
https://www.abetterbalance.org/resources/map-of-paid-parental-family-caregiving-leave-policies-for-state-employees/
A Better Balance, Map of paid parental and family caregiving leave policies for state employees
https://www.abetterbalance.org/resources/paid-family-medical-leave-laws/

In the 2025 legislation session, Alabama joined a growing number of Southern states, including Georgia, Tennessee, South Carolina, and North Carolina, which have implemented paid parental and family leave policies for state government employees and educators.[23] This is a strong first step to allow new parents to take the time they need to recover from childbirth and bond with their new child without sacrificing their economic security. These programs can later be expanded to include family or personal medical care in the future. Paid parental and family leave policies will directly benefit thousands of state government employees and educators, especially women and Black workers, who are disproportionately represented in the public sector workforce (*See Sidebar 2 for more details on this important legislation*).[24]

At the local level, cities have acted to extend paid leave to their own public employees. The City of Birmingham announced in 2023 its decision to provide 12 weeks of paid parental leave to city employees.[25] In addition to providing 12 weeks of paid parental leave to city employees, Birmingham's Opportunity Infrastructure has increased wages for city employees and implemented a wide range of targeted initiatives to help residents overcome barriers to employment.[26] The program has been celebrated as a way to offer relief to parents and make it easier for parents to find jobs with a viable balance between work and family responsibilities.[27]

In addition, Alabama has begun to explore promoting paid leave in the private sector. In 2023, the Alabama State Legislature passed a law that *allows* insurance companies to issue paid family leave coverage in the state to employers.[28] However, as with FMLA, this law does not *require* employers to provide paid family leave, nor does it *guarantee* access to paid family leave for any workers.[29] While a good first step, more is needed to ensure workers can access paid leave, bring more women into the labor force, and help Alabama's businesses remain competitive.

The Alabama K-12 Public School and State Employee Paid Parental Leave Act of 2025 (HB 327/ SB 199) provides:

- **8 weeks** of leave for mothers and **2 weeks** of leave for fathers for the birth, stillbirth, or miscarriage of a child.

- **8 weeks** of paid parental leave for eligible employees who adopt a child aged 3 years or younger. If both parents are eligible employees, then one parent may receive 8 weeks and the other may receive 2 weeks.

- **100% wage replacement** of employee's base pay went into effect on July 1, 2025

Photo courtesy of Office of the Governor

This law sponsored by Sen. Vivian Figures and Rep. Ginny Shaver received bipartisan support and covers about 29,000 state employees, around 57,000 public school staff, and over 50,000 public university employees.[30]

This historic victory is a significant investment in Alabama's workforce with nearly 60% of states employees and 80% of teachers are women. The Women's Foundation of Alabama was proud to advocate for this bill alongside many organizations from across the state to improve the lives of women and families.

The 2025 Paid Parental Leave Act is a critical first step. Now Alabama must finish the job.[31] Prior to its passage, only a quarter of Alabama workers had access to employer-provided paid leave. Even when accounting for the state employees, teachers, and university staff now covered under the 2025 act, the vast majority of Alabama's private sector workforce remains without access. Extending paid leave to private sector workers is the logical next step.

Restrictive eligibility criteria and limited coverage under the FMLA mean that only 37% of workers in Alabama have access to federally-protected unpaid leave, leaving most unable to take leave when most needed.[32] Financial pressures and fear of negative repercussions prevent men and women from taking leave or force them to cut their leaves short. In fact, women on average take just a third of the leaves that are needed, often continuing to work while risking their health. Access and ability to take leave disproportionately affect women and people of color, who are the most likely to forgo the leave they need or take unpaid leave.[33] Men face a similar challenge in taking leaves—White and Black men alike are unable to take two-thirds of the leave that are legally available to them.[34] These gaps not only harm families but also perpetuate workforce inequities, reducing women's participation and increasing costs for employers through turnover and lost productivity.

In the years ahead, legislators should finish the job and provide a paid leave benefit to all of Alabama's workers—it's a big win for Alabama's employers, for the six reasons in outlined in the following six chapters.

REASON 1. PAID LEAVE STRENGTHENS BUSINESS COMPETITIVENESS BY SUPPORTING HIRING AND RETENTION

Paid leave is an important tool for keeping people in their jobs, reducing turnover, and making Alabama's employers more competitive in recruiting and retaining workers—a crucial step in ensuring the state's workforce remains healthy and vibrant. Here's how:

- **Paid leave helps businesses by reducing employee turnover by as much as 70%.**

  Family and medical issues, including childbirth and recovery, are one of the biggest reasons workers, especially women, quit their jobs and drop out of the labor force. This generates enormous costs for businesses. When employees choose to leave work to care for family, turnover costs for businesses average around 20% of the employee's annual salary, and can go as high as 150% in certain industries. For example, replacing an employee who makes $50,000 a year will likely cost a business $10,000 in replacement costs to search for new employees, screen them, interview them, train them, and then support their on-the-job learning. It can take months for new employee productivity to equal the effectiveness of the former employee who left. Paid leave can help employers offset these costs. For example, there is an up to 70% reduction in turnover among working moms who have access to 12 weeks of paid parental leave.[35]

- **Paid leave increases business productivity and saves employers money.**

  Employers offering paid leave policies have seen significant cost savings generated by the reduction in their employee quit rates and in seeing increased effectiveness on the job by current employees who have greater peace of mind about caring for their loved ones. In fact, recent research by the National Bureau of Economic Research (NBER) has found that firms with paid leave were 5% more productive than those without. In terms of dollars and cents, according to the US Bureau of Labor Statistics, paid leave costs employers on average $2.70 per week per private industry employee, $2.88 per civilian employee, and $4.03 per government employee.[36] Yet in return, companies benefit from the increased productivity and reduced turnover that companies obtain in return to the tune of about $12.32 per worker per week.[37] For example, a recent survey of employers by the Human Capital Management Institute (HCMI) found that *after* manufacturing or technology companies implemented a paid leave policy, they saw their revenues rise by 4.6% and their profits rise by 6.8% per full-time equivalent employee.[38] They also reported as much 6.5% greater productivity after they implemented paid leave.[39] Thus, paid leave costs employers little to nothing, but provides significant net benefits.

- **Human resources professionals consider family-friendly policies, like paid family and medical leave, to be the most important factor in recruiting and retaining employees.**

In fact, one study found that, following healthcare coverage, four of the top five benefits most sought out by job seekers involved increased flexibility and work-life balance, such as flexible hours and greater paid time off.[40] That's why many major private sector employers and large universities already offer some form of paid family leave to their employees–including BBVA,[41] Baker Donelson,[42] Maynard Cooper,[43] Protective Life,[44] The University of Alabama,[45] Regions,[46] and EBSCO Industries.[47]

- **Providing a statewide paid family and medical leave program would make Alabama more attractive to prospective employees and businesses.**

States with paid family and medical leave programs are becoming more attractive to workers. A recent survey found that 75% of employed adults say companies should provide paid family and medical leave, and 61% of those likely to relocate in the next two years stated they would be more likely to move to a state with mandated paid family and medical leave.[48]

Paid Sick Days

One form of paid leave, paid sick days, helps parents and caregivers meet short term illnesses and health problems for themselves and their families. It keeps parents and caregivers connected to the workforce, but also improves their children's health and lowers absenteeism. When parents can take the leave they need, their children are more likely to get the medical care they need. Research shows that ill children have better vital signs, faster recoveries, and reduced hospital stays when cared for by parents.[49] Paid leave is a crucial part of this equation, because parents with paid leave are more than five times more likely to care for their sick children than those without.[50] However, about half of working parents say they are not paid when they take time off to care for their sick kids, missing out on income that their families need to survive.[51] Working moms are most often the parent with the primary caregiving responsibilities. Three-quarters (76%) of working mothers with low incomes (below 200% of the federal poverty level) report losing pay when they miss work to care for sick children which is twice the share of those with higher incomes (38%).[52] As parents need to miss more days of work to care for their sick children, they often face discrimination or are terminated for these absences. Without the support of paid sick leave, parents are unable to financially afford the care their children need and must live through the vicious cycle of hopping from job to job.

- **Paid leave has also been shown to promote employee satisfaction and morale.**

  Women are more likely to report being satisfied with their job if that job offers paid maternity leave,[48] and men report being more energized at work, more appreciative of their employers, and more willing to stay at their job longer when offered paternity leave.[54] Along with paid leave to bond with a new child, many workers are increasingly in need of paid leave to care for a seriously ill family member. Paid leave would enable workers with caregiving responsibilities to return to the workforce sooner. Research shows that more than one third of unemployed adults would be more willing to return to work sooner if their employer offered paid family leave, including nearly half of unemployed caregivers.[55] By supporting employee retention, paid leave reduces turnover, which can be a major expense on employers.

- **Paid leave keeps young adults and prime-age caregivers in the workforce.**

  The share of older workers across several industries continues to grow. Of the 1,939,214 total workers in Alabama in 2022, older workers (age 55 and over) constitute 22.9% (443,147 employees).[56] In order to care for Alabama's aging population, the labor force participation of young and middle-aged workers must increase. However, young adults need strong workplace benefits like paid family and medical leave, paid sick time, and access to quality and affordable healthcare to continue to make this care possible while staying in the workforce. Nationally, young adults are a large portion of caregivers: there are over 3 million Gen Z caregivers, or caregivers born between 1997 and 2012.[57] Nearly 2 in 5 workers (35%) between the ages of 18 and 29 have left a job or been fired because they did not have paid family and medical leave.[58] The same study found that 17% of all voters have had to leave a job or have been fired due to a lack of paid family and medical leave, meaning that the rate is double for young workers.[59] As workers continue to address the stress of caring for themselves and their loved ones, paid leave policies can provide necessary relief.

As these benefits to individual employers add up across the economy, they build on each other to reduce turnover, job-quitting, and shrinkage in the overall labor force as a whole.

REASON 2. PAID LEAVE WILL HELP FILL ALABAMA'S WORKFORCE SHORTAGE BY INCREASING FEMALE LABOR FORCE PARTICIPATION

Paid leave helps businesses by keeping parents, caregivers, and especially women, in the labor force, taking a big step towards filling Alabama's workforce shortage and, in turn, strengthening Alabama's overall economy.

Twenty years of research bears this out, showing how directly paid leave improves female labor force participation over both the short term and long term. **In the short run, women who take paid family leave after giving birth** are 40% more likely to return to work than those lacking the benefit.[60] Women in states where paid leave policies were enacted saw an immediate increase in mothers' labor force participation by six percentage points in the year of a birth, effectively reducing birth-year maternal labor market detachment by 20%.[61] Even more impressively, less-educated, lower-income women saw the greatest reattachment to the labor force following birth.[62]

Paid family leave increases women's labor market participation in the longer term as well. According to IWPR, "up to five years after a birth, women who had access to paid family leave at the time of the birth are three to six percentage points more likely to be in the labor force. This represents a 20-50% reduction in maternal labor market detachment five years after a birth."[63] Similarly, Nobel Prize winning economist Caludia Golden's research shows that, a decade after childbirth, the labor force participation rate (LFPR) of mothers who used paid family leave is 82%, compared to 64% among moms who quit their jobs during pregnancy.[64]

In effect, paid leave policies create a bridge that allow women to stay in their jobs after childbirth. Without that bridge, the combined challenges of childbirth, postpartum recovery, and navigating the new demands of parenthood drives millions of mothers out of the workforce. This is a major reason why women's LFPR is so much lower than men's, and why paid leave is such an important economic development tool for expanding Alabama's workforce to meet business needs by closing the female participation gap. In terms of dollars and cents, closing this labor force gap between men and women will generate significant positive impacts on Alabama's economy, including the following effects estimated using IMPLAN, and industry-standard software package for analyzing the ripple effects of economic and policy changes (see Figure 4). Specifically, closing this gap will achieve the following:

- **Closing the workforce participation gap between men and women would put an additional 200,000 women into Alabama's workforce**

  This would involve increasing the female labor force participation rate from 53.5% to the men's participation rate of 63%, raising the total number of women in Alabama's workforce by 17.7 percent.

- **Ensuring women and men participate in the workforce at the same rates would generate an additional $10 billion in labor income in Alabama's economy.**

  A recent study in the Harvard Business Review found that for every 10% increase in women's workforce participation, everyone's earnings in the region will rise by 5%.[65] Following this logic, ensuring men and women participate equally in the labor force—adding 200,000 new women to the workforce in the process—would generate $9.97 billion in new earnings for all Alabama's workers.

- **The ripple effects of women entering the labor force at rates equal to men would result in creating 37,000 new jobs, seeing labor income go up by almost $12 billion, and produce almost $17 billion in GDP growth (see Figure 4).**

  The job growth is roughly the same as bringing the entire population of the city of Prattville into the labor market and producing in one year as much GDP as Alabama saw created over the last five years combined (2018-2023).

Figure 4. **Closing Alabama's Female Labor Force Participation Gap will boost Alabama's economy**

Category of impacts	Impact of increasing female labor force participation
Employment	37,000
Labor Income	$11,243,378,901
GDP	$16,041,294,348

Source: *Author's analysis using IMPLAN to estimate economic impacts.*

REASON 3. PAID LEAVE KEEPS ALABAMA COMPETITIVE WITH OTHER STATES

Paid leave is also an important tool for keeping Alabama competitive with surrounding states, both as a place for private businesses to locate their operations and as a key strategy for staffing Alabama's state government and K-12 education systems. Here's how:

- **Paid leave is a key consideration for attracting and retaining a talented workforce in both private and public sectors.**

  Worker protections have proven to be a top factor in workers' decisions to select a specific job or relocate to a new state. In a recent survey,[66] 60% of employed adults likely to relocate in the next two years stated they would be more likely to move to a state with mandated paid family and medical leave, while 73% of employed adults indicated a preference to live in a state where paid family and medical leave is available. Without such policies in place, businesses will hesitate to locate in Alabama and the state government will continue to struggle to retain a qualified workforce. This is a crucial consideration for Alabama's policymakers, as Alabama ranks the lowest in the nation for supportive family policies[67] and for working women.[68] A statewide paid family and medical leave program would allow Alabama to stay competitive with peer states that already offer some form of paid leave and put Alabama ahead of the curve on the road to more comprehensive paid leave access in the South. States like Tennessee, which implemented paid parental leave for their public sector employees in 2023, have seen a 62% increase in applicants interested in specific state jobs and a 56% increase in applicant volume, along with a 22% reduction in turnover due to the enhanced benefits package.[79] Building on important incremental steps like providing paid leave to state employees and educators will keep Alabama in the same ballpark as peer states in attracting and retaining talent.

- **Alabama now joins a number of peer states across the South that have moved aggressively to protect their public sector workforce by providing a paid leave benefit to state government employees and teachers.**

  Since 2021, Georgia, Louisiana, Florida, Tennessee, South Carolina, North Carolina, and Mississippi have enacted legislation guaranteeing paid family leave for state employees and/or public school educators across their states (see Figure 5).[70] Of the 41 states plus D.C.'s employee paid parental leave policies, 71% provide the same paid leave benefits for both primary and secondary caregivers, 81% provide benefits for both full-time and part-time employees, and 83% provide adoptive parents the same amount of leave as birth parents.[71] The median maximum duration of state employee paid parental leave benefits is eight weeks, with this number set to keep growing.[72]

Figure 5. **Maximum duration of paid parental leave for state employees**

4 weeks	6 weeks	7 weeks	8 weeks	9 weeks	10 weeks	12 weeks
1. Iowa [i]	1. Georgia	1. Rhode Island* [v]	1. Alabama	1. Florida	1. Illinois	1. Arizona
	2. Louisiana		2. California*			2. Colorado*
	3. Minnesota [ii]		3. D.C. [vi]			3. Connecticut*
	4. Missouri		4. Idaho			4. Delaware
	5. Mississippi [iii]		5. Indiana			5. Maine*
	6. New Hampshire		6. Kansas			6. Maryland*
	7. Oklahoma [iv]		7. Nevada			7. Massachusetts*
	8. South Carolina		8. North Carolina			8. Michigan
	9. Tennessee		9. Pennsylvania			9. New Jersey*
	10. Utah		10. Texas			10. New Mexico
	11. Wyoming		11. Virginia			11. New York*
	12. Vermont					12. Ohio
						13. Oregon*
						14. South Dakota
						15. Washington*

**This policy is a part of a statewide paid family & medical leave insurance program.*
[i] 4 weeks for parent who gave birth and 1 week for parent who did not.
[ii] 12 weeks beginning January 2026
[iii] 6 weeks beginning January 2026
[iv] Although the law uses the term "maternity leave," through agency rulemaking, male and female employees were found to be eligible.
[v] 8 weeks beginning January 2026
[v] 12 weeks when the DC council has fully funded the law in the district's budget

Source: *Analysis from A Better Balance.*

- **Alabama's competitors are already taking steps towards a comprehensive paid leave program that covers private business employees too.**

Alongside the 13 states (and DC) with paid leave policies outside the South that cover all workers—private sector, state employees, and teachers (see Section C)—several peer states are also starting to move on creating some version of paid leave. In 2024, Virginia became the first Southern state to pass a paid family and medical leave program through its state legislature.[73] Although the 12-week program was eventually vetoed by the state's previous governor in 2024, newly-elected Governor Spanberger signed a paid family medical leave insurance program into law in 2026. Other peer states have taken the first administrative steps in setting up a paid leave program—Louisiana,[74] Virginia,[75] and Maine (another rural state whose timber industry often competes with Alabama)[76] have contracted with independent consulting firms to explore the costs and benefits of different paid leave policy designs. Other states outside the South have done the same, including Colorado,[77] Vermont,[78] and Hawaii.[89]

- **As a critical next step, states are exploring task forces to evaluate the costs and benefits of comprehensive paid leave policies.**

These task forces can commission actuarial studies or use other approaches to offer recommendations for implementing paid family and medical leave programs. For instance, Louisiana established a paid family and medical leave task force[80] within the Louisiana Workforce Commission, which includes maternal and child health advocates, state agency representatives, and worker advocates. It is crucial for paid leave task forces to include stakeholders who can address the impacts on vulnerable populations and represent the interests of those most affected, alongside business community members. Alabama's Legislature could convene a paid leave task force to explore paid leave policy options, including a focus on maternal and child health, similar to the previous Workforce and Wage Gap working group chaired by the Women's Foundation.

- **If lawmakers do not act soon, Alabama is in danger of falling behind peer Southern states on this important competitive edge.**

By providing a private sector workplace benefit that other Southern states do not yet offer, Alabama can compete with the fast growing economies and robust economic development efforts of Florida, Georgia, North Carolina, Tennessee, Texas, and Virginia, which are consistently ranked as the top states for business[81] and the best state economies.[82]

REASON 4. PAID LEAVE KEEPS ALABAMA'S CURRENT AND FUTURE WORKFORCE HEALTHY

Paid leave helps Alabama's businesses fill their worker shortage by improving the health of Alabama's current and future workforce, ensuring they are well enough to work as productively as possible for the state's employers. Here's how:

- **Paid leave makes it possible for workers to take time off to care for their own medical illnesses or require care from others.**

  Sick workers are less productive and effective on the job than healthy workers.[83] Paid family and medical leave would give employees the time they need to recover from serious illnesses, including cancer,[84] substance abuse,[85] and other serious health conditions. Nearly 1 in 3 seriously ill workers nationwide either lost their jobs or had to change jobs as a result of their illness.[86] Without dedicated paid family and medical leave, employees have no choice but to use up their sick time or vacation days—if their job even offers these benefits—when they have a medical emergency, leaving them with no remaining paid leave for their families' sick days or other emergencies.

- **Paid leave will address Alabama's maternal health crisis, ensuring women can return to their jobs.**

  Across the nation and particularly in Alabama, women are currently facing a maternal health crisis. On the maternal vulnerability index (MVI), a tool used to understand where mothers in each state may be more likely to have poor outcomes, Alabama is ranked the lowest in the nation, with a MVI score of 100.[87] Mothers in Alabama face extreme barriers to healthy births. In the 2024 March of Dimes Report Card, Alabama's maternal mortality rate was 38.6 per 100,000 live births, among the highest rates in the country.[88] With sparse access to paid or unpaid maternity leave, many women are left to return to work before they are able to fully heal, mentally or physically. Alabama holds the fourth highest postpartum depression rate in the country[89] and significant racial disparities in maternal health,[90] as Black women are significantly more likely to die in childbirth or experience serious complications than White women. Greater access to paid leave can alleviate these issues by reducing postpartum depression, improving overall maternal health, and redressing existing health disparities. Women who take paid maternity leave have a 51% decrease in the odds of being re-hospitalized within 21 months of giving birth as compared to those who took unpaid leave or no leave.[91] On the other hand, mothers who took too little leave, particularly less than 8 weeks, were more likely to experience depressive symptoms and overall health declines.[92] A recent study found that new mothers who had only unpaid leave had a 40% greater likelihood of experiencing symptoms of postpartum depression, compared to those who had paid leave.[93]

Paid leave helps caregivers stay employed, providing necessary time off to address the health needs of their family members.

In Alabama, 14% of the population (700,000 people) are family caregivers who contribute almost $8.3 million annually in unpaid caregiving.[94] In a recent national study, 6 in 10 caregivers reported providing care for a family member while they were employed with many needing accommodations and workplace flexibility as a result of caregiving.[95] Often times, caregivers can face negative health repercussions, including mental and emotional stress, due to the lack of community supports. Research shows that access to paid leave improves caregivers' mental and emotional health, as employed family caregivers often find it difficult to make time for their own health care needs. For example, in one major study, 58% of military caregivers reported delaying or skipping their own doctor and dentist appointments due to their caregiving responsibilities.[96] Paid leave can improve caregivers' physical and emotional health by providing access to job-protected paid time off for care.[97] Similar benefits can be felt for military family members and caregivers.[98] Family caregivers also help to ease the burden on our crowded hospitals and long- term care facilities, freeing up resources for other crucial health needs. For example, recipients of family caregiving are less likely to have nursing home care or home health care paid for by Medicare.[99]

Paid leave improves infant health, setting up the workforce of the future for success.

Access to paid leave has substantial positive effects on breastfeeding practices, which can improve the health and wellbeing of moms and babies. The American Academy of Pediatrics has long recommended infants be exclusively breastfed through the first six months of their lives. This is a physically intensive and time-intensive process requiring 8-12 feeds or pumping sessions every 24 hours, equating to nearly 1000s hours in the first two months alone. Importantly, the first few weeks after the baby is born are especially important for recovery and breastfeeding initiation.[100] Returning to work soon after childbirth can decrease the likelihood of breastfeeding or decrease the duration of a new mother's breastfeeding practice. For example, one leading study of California's paid family leave program found that use of paid family leave more than doubled the average number of weeks of breastfeeding and, among workers with low- quality jobs, notably increased the percentage of women who initiated breastfeeding at all.[101] Breastfeeding can decrease the chances of disastrous health conditions like mastitis for mothers, and substantially reduce the risk of serious respiratory infections in infants[102] and obesity in children.[103] Paid leave is also positively associated with improved infant brain development, which also can be connected to reduced maternal stress.[104]

Paid leave reduces infant and child mortality, ensuring Alabama's workforce grows with its population.

In one study of 141 countries, controlling for other factors, an increase of 10 full-time-equivalent weeks of paid maternity leave reduced neonatal and infant mortality rates by 10% and the mortality rate of children younger than 5 by 9%.[105] Increasing access to paid leave is especially important in Alabama. In keeping with the state's high maternal mortality rate, there are 6.69 infant deaths in Alabama per 1,000 live births.[106] With Alabama's high premature birth rate at 12.9% in 2023,[107] these benefits are particularly critical for the state's vulnerable infants. The preterm birth rate among babies born to Black mothers is 1.5x higher than the rate among all other babies, except those born to Pacific Islanders.[108] By providing working mothers with access to paid leave, mothers can take paid job-protected leave to recover from childbirth or attend prenatal appointments to receive the care they need to continue a healthy pregnancy. Additionally, caregivers can use paid family leave to take the leave they need to take their child to critical health appointments if they are experiencing a serious illness or health complication without worrying about losing their job.

Paid leave is also positively associated with improved infant brain development.

Compared to infants whose mothers took unpaid post-birth leave, infants whose mothers took paid post-birth leave have been more likely to have brain function patterns that are associated with more mature brain activation patterns in childhood,[109] even after controlling for factors like family income and parent-child interactions. This finding is especially critical for foster children, whose first few months are a critical adjustment period in the transition to a new placement and bonding with foster parents.[110] For foster and adoptive parents, paid leave provides job protected leave to attend important court proceedings, handle logistics and bond with their new child while easing the financial burden of the placement process.[111]

Paid leave supports fatherhood and strengthens family bonding.

As working parents continue to navigate the balance between work and family, fathers can also benefit from access to paid leave. Studies have shown that fathers who take longer leaves experience greater engagement in their children's lives,[112] and can also help mothers address their health and child care needs. It can no longer be ignored that the share of fathers who care for their children when they are sick is on the rise. One recent large study found that, over the long term, fathers who took paternity leave took less sick time, needed fewer days of inpatient care, and even had longer life expectancy than men who did not take leave.[113] Paid family and medical leave can lessen the stress parents experience and ensure that fathers can address their own medical needs to avoid greater health complications. Equitable access to statewide paid leave for mothers and fathers can support Alabama's families.

The significant health benefits associated with paid leave would not only benefit individuals, but Alabama as a whole. Healthy communities see lower overall healthcare costs, as preventive care and healthier lifestyles reduce the incidence of chronic diseases and hospitalizations. This leads to less strain on healthcare systems and public resources, allowing funds to be redirected toward other essential services like education, infrastructure, or public safety, all of which help businesses operate at peak profitability and effectiveness.

REASON 5. PAID LEAVE SAVES TAXPAYER DOLLARS AND REDUCES WORKER RELIANCE ON PUBLIC ASSISTANCE

Paid leave is good for Alabama's businesses, but it also encourages work, reduces reliance on public assistance, and strengthens the Alabama family. Here's how:

Low-wage workers often turn to public assistance to support their families during unpaid family and medical leave.

The financial impact of unpaid leave is substantial. It is estimated that workers lose $22.5 billion in wages annually due to taking unpaid family and medical leave, which pushes many low-income families toward welfare programs to cover basic needs.[114] Without paid leave, workers often face difficult financial trade-offs, such as whether to forgo income to care for a newborn or ill family member or whether to stay in the labor force. These decisions can push families toward public assistance programs as they struggle to replace lost wages. Low wage earners seek help from public assistance programs during unpaid leaves at nearly four times the rate of higher-wage earners.[115]

Paid family and medical leave significantly reduces the need for public assistance by keeping workers in their jobs and providing a replacement income while they are on leave.

Expanding paid leave policies is a promising way to reduce reliance on public assistance programs by stabilizing income, increasing workforce participation, and improving long-term earnings for families, especially those with lower household incomes. Studies have shown that both women and men report lower levels of public assistance receipt in the year following a child's birth, when compared to those who do not take any leave.[116] For example, a Pew Research Center survey found that only 37% of leave-takers with annual household incomes under $30,000 received pay while on leave.[117] Among those who took unpaid or partially paid parental leave, 48% had to rely on public assistance to cover lost wages.[118] Another study found that low-income mothers in states with paid leave programs had lower rates of SNAP enrollment after childbirth compared to those in states without such programs.[119] This suggests that paid leave programs could alleviate this economic strain by providing financial stability during periods of caregiving, which would ultimately reduce the need for families to access public assistance programs.

Paid leave also reduces the underlying drivers of public assistance uptake—low labor force participation and poverty.

By improving women's labor force attachment as described in Reason #2, paid leave supports economic mobility and reduces the likelihood that families will require SNAP, TANF, or other welfare benefits. This is particularly important for lower-income families, who are more vulnerable to falling into poverty when forced to leave the workforce to care for a family member. In addition, states with paid family and medical leave programs have seen families become more economically secure. A study of one state's paid family and medical leave program found that paid leave decreases risk of poverty in the prior year by an estimated 10.2% and increases household income over the same period by an estimated 4.1%.[120] Gains were concentrated among less-educated and low-income single mothers, who tend to have few other supports for combining employment and caregiving. This suggests that paid leave can be an effective tool to bolster economic security and reduce reliance on public assistance.

REASON 6. PAID LEAVE BOOSTS ALABAMA'S OVERALL ECONOMY

Paid leave is a critical economic development tool that yields significant economic benefits, including: a bigger labor force, healthier workers, lower employee turnover and fewer quits, higher worker productivity, lower public assistance uptake, and an improved ability to compete against surrounding states for the most talented workers in the nation.

Given these trends, it is no surprise that enacting paid leave policies at the state level will help Alabama's businesses create more employment opportunities, boost worker pay, and increase economic growth across the state.

We can measure the precise dollars and cents of these economic impacts thanks to recent analysis by the US Bureau of Labor Statistics and the nonpartisan Georgetown University research center CLASP, which determined that Alabama workers lose a total of $752.2 million in wages due to the *unpaid* leaves they take to recover from childbirth, welcome a newborn or foster child, or provide extended to care for themselves or family members struggling with long-term illnesses.[121] In effect, these count as wages lost by workers who could not take leave. By using IMPLAN, we were able to estimate the economic consequences of a paid leave program *restoring* these wages to Alabama's workers, and the impacts of workers spending these restored earnings at Alabama's businesses on the goods and services their families need (see Appendix for more detail on our methodology). We refer to these restored wages as **"replacement earnings**." These projections reflect the full economic value of wages currently being lost. Paid leave converts foregone wages into real spending power that would otherwise never enter Alabama's economy, capturing more than secondary ripple effects alone.

The precise impacts of replacing these lost wages depends on how many Alabama workers the legislature decides to cover with a paid leave policy—the more covered, the bigger the boost to Alabama's economy. As seen in Figure 6, providing paid leave to public employees and teachers will have a significant impact on Alabama's economy, but extending it to all workers in Alabama will have an even greater impact. Specifically:

- **Impacts of extending paid leave to all workers in Alabama:**

  In 2024, more than 2.4 million Alabamians worked for Alabama employers—both in government and the private sector. Added together, these employees would gain an average **$752 million in replacement earnings** if the legislature provided them with paid leave. In the first year of a paid leave program, the ripple effects from spending these earnings across Alabama's economy would create almost 3,000 new jobs, increase each worker's paycheck by $300 (for a total of $900 million for all workers), and boost the state's economy by an additional $1.2 billion. These are transformative impacts on Alabama's economy.

- **Impacts of extending paid leave to all state government employees, including teachers:**

  In FY 2023, state government employed a total of 86,355 people (including 28,807 in state agencies and 57,548 teachers), who added together would gain an average **$26 million in replacement earnings** if the legislature provided them with paid leave. In the first year of a paid leave program, the ripple effects from spending these earnings across Alabama's economy would create 101 new jobs, increase each worker's paycheck by $520 (for a total of $31.7 million for all workers), and boost the state's economy by an additional $45.1 million.

Figure 6. **Extending paid leave to teachers, state employees, and all workers will boost Alabama's economy**

	Economic Impacts of Extending Paid Leave to:		
Category of Impacts	**All Workers**	**Teachers and State Employees Only**	**All Teachers**
Employment	2,908	114	76
Labor Income	$899,891,154	$35,062,515	$21,144,631
GDP	$1,249,245,032	$48,456,740	$30,070,703

Source: *Author's analysis using IMPLAN to estimate economic impacts.*

POLICY RECOMMENDATIONS

Paid family and medical leave policies place a key pro-growth economic development tool in the hands of state policy makers to meet the challenge of the state's workforce shortage and ensure Alabama's employers—and the overall economy—continue to grow and thrive.

Given these advantages, **Alabama's lawmakers should create a paid family medical leave insurance (FMLI) program that covers both the public sector and all private sector employees.** This will benefit businesses and workers alike, especially those workers who are in low-wage earning or physically demanding positions, and who may not receive these benefits through their own employer.

The basics: A paid family medical leave insurance program

An FMLI program pays workers' replacement wages while they are on eligible and approved leaves. The policy design for a state paid family and medical leave program for all workers is generally different than a purely public sector program, and varies from state to state. Unlike the public sector model, where state agencies simply add paid leave to employees' existing benefits package, a paid leave program for the private sector generally involves an insurance fund that shifts the cost of paid leave away from employers, so they are no longer asked to pay for their employees while they are out on leave (unless the employer chooses otherwise). Either the fund will pay employees directly, or it will reimburse the employer, if the employer chooses to continue paying the employees while they are on the leave. FMLI programs across the country provide various amounts of leave for paid family leave and/or paid medical leave, anywhere between 6 and 52 weeks.

Specifically, FMLI programs operate on a social insurance model similar to existing Unemployment Insurance programs. In an FMLI program, benefits and administration are funded through small premiums—payroll contributions based on workers' wages. In three states, employees make these payroll contributions without sharing the cost with employers, while in a growing number of states, employers and employees share in the cost (see below). Critically, in the states where the employee and employer share costs, small businesses of a certain size are not required to pay the employer portion of the program premium. Depending on the final FMLI program design, every employee in Alabama could pay a small weekly amount (even less than a cup of coffee a week) into an insurance fund administered by a state government agency. The Alabama Department of Labor would be a logical choice, given that it already administers the state's Unemployment Insurance program and has significant workforce and employee information.

The FMLI insurance fund could be funded in one of two ways:

Option A—Worker contributions only. Each worker contributes a percentage of their wages to the fund through a payroll deduction, similar to Unemployment Insurance.

Option B—Shared contributions from workers and employers. In this option, both workers and employers pay into the fund through a small payroll deduction. As noted above, some states have exempted small businesses from covering the cost, but continued to provide coverage for their workers.

Bottom line—businesses don't pay twice. The key feature of an FMLI program is that employers do not have to bear the cost of paying their workers while they are out on leave. Many business owners can't afford to pay their employees' wages while they are out on parental or medical leave at the same time they are paying for a replacement worker to fill in. An FMLI program makes sure businesses don't have to. When an employee takes an eligible parental, family, or medical leave, the insurance fund either pays employees replacement wages directly or reimburses employers if they choose to continue paying their employees while they are out on leave. Either way, businesses don't bear the cost of paying for employees' leaves while paying for replacement work.

Next steps: Conduct an actuarial study to determine program costs

We recommend that the Alabama legislature, Department of Revenue or other state agency complete a comprehensive actuarial study with an independent firm to clearly define the full cost and benefits of a state-administered paid leave insurance program and design a solution that would meet Alabama's specific needs. Such studies typically explore:

- the types of workers covered,
- duration of leave benefits,
- expected program utilization,
- expenditures and reserves over a multi-year window,
- the benefit and administrative costs necessary for program operation,
- an estimate of the premium contributions necessary to establish and maintain a state-administered paid family and medical leave insurance fund, and
- different options for a paid leave insurance program that works best for a state's economy, such as exemptions for small businesses or different ways of splitting contributions between employers and employees.

In a few states, paid family and medical leave actuarial studies led to the passage of paid leave programs in later legislative sessions. Louisiana's paid leave actuarial study, which occurred before the state's passage of paid parental leave for state employees through executive order and civil service rule, was presented to the House Labor Committee in 2023. Paid family and medical leave actuarial studies have helped illuminate the self-sustaining nature and low long-term costs of statewide paid leave programs. **In Alabama, a paid leave actuarial study could serve to help policymakers consider a paid leave policy design that works best for Alabama, based on Alabama's unique workforce.**

Recommended features for Alabama's FMLI program

We recommend lawmakers should also consider including the following key features in the state's FMLI program:

- **Universal coverage that covers *all* workers, regardless of the size of their employers, to ensure that the program and its protections are broadly accessible.** A majority of states have special rules for small employers to help cover the cost of contributions to the program, while maintaining employee coverage; excluding small businesses altogether from coverage would put those employers at a competitive disadvantage by preventing them from offering a popular benefit to their employees that large corporations—but not small businesses—can afford to pay out of pocket.[122] Self-employed workers, freelancers, and independent contractors should be allowed to opt in to the program, and receive benefits when they are unable to work due to a covered need. As paid leave has shown immense benefits and growth for large and small businesses across the country, opt-in coverage of self-employed individuals will also encourage entrepreneurship in Alabama.[123]

- **At least 12 weeks of leave and benefits** during life's most trying moments. In order to ensure that employees can take the time available to them, it is a best practice to ensure that their jobs are protected during the leave.

- **A meaningful wage replacement level** that ensures workers, including low wage workers who need as much of their income as possible, can afford to take their leave and fully access the program.

- **Funded through a combination of employer and worker contributions.** In the majority of state programs, employers also contribute a weekly amount for each of their employees, with potential exemptions for small businesses (whose employees would still benefit from the fund). In Alabama, a study could explore several possible options.

- **Access to PFML for a broad range of covered purposes** when the worker has their own serious health needs, needs to bond with a new child (including adoptive and foster parents), is caring for a seriously ill loved one, needs to take safe leave, or is addressing the family caregiving impact of military deployment. In all state paid family and medical leave programs, paid leave to bond with a new child is available to parents of any gender.

- **An inclusive family definition** that includes parents, spouses, children, grandparents, parents in law, and some significant others to ensure that workers can take leave to care for all their closest loved ones.

- **Strong anti-retaliation and employment protections**, so that workers who need to request and use leave can return to work following leave, and won't be punished or fired for doing so.

- **Leveraging and building off of the state's existing unemployment insurance or worker compensation program framework to make implementation easier.**

- **Streamlined application procedures** to enable workers to navigate the benefit application process in a timely fashion, and notice provisions to inform workers of their rights and employer's responsibilities. Evidence shows that low wage workers, women, and people of color are among those least likely to be aware of paid leave laws and benefits.[124] Targeted outreach and accessible public education resources are critical to raise awareness and ensure that women and low wage workers have proper access to these benefits.

- **A state paid leave program that will continue to encourage employers to provide better benefits for their employees and allow existing company paid leave policies to continue providing paid leave benefits to their employees.**[125] The state paid leave program would be a floor—not a ceiling—for businesses to build off of. It would provide that employers could use a private insurance program or self-insure the benefits that meets the minimum requirements provided in the state program. Paid family and medical leave benefits can run concurrently with the federal FMLA if employees also qualify for FMLA, and the new program can run concurrently with existing paid family and medical leave benefits (such as short-term disability benefits) that employers currently provide.

Paid leave is good for Alabama's businesses—it helps address the state's workforce shortage, creates more jobs, and makes the state's employers more competitive by strengthening the quality of the workforce.

ADDRESSING COMMON EMPLOYER CONCERNS ABOUT PAID LEAVE

Paid leave is an important tool in Alabama's economic development toolbox, but policymakers and business owners may have legitimate questions about what this policy means for them.

- **Is this an unfunded mandate on businesses?**
  No. If Alabama were to create a FMLI program covering the state's entire workforce, private sector employers would face limited costs depending on how the program is structured, but the savings gained from not having to pay the employee on leave more than makes up for any administrative cost. In addition, businesses may choose to continue paying their employee while they are on leave, and receiving reimbursement from the FMLI fund, allowing their existing benefits plan in place. Taken together, the fund **helps** businesses provide a benefit that many, particularly smaller, businesses could not provide on their own. It evens the playing field and promote profitability for those businesses whose margins are currently too tight to provide this benefit as they compete against often-larger employers who can.

- **Can workers receive wages from their employer and the fund at the same time while on leave?**
  No. Workers can only receive paid leave from one source—either their employer OR the FMLI fund.

- **How will this affect small businesses?**
  Paid leave helps small business recruitment and retention and levels the playing field with bigger business. Paid leave is a useful recruitment and retention benefit for small businesses too. Small businesses that offer paid leave see it as necessary to recruit talented employees, and those that don't offer it report that it makes it even more challenging to hire.[126] Often times, small businesses may not have the capital and private insurance coverage to be able to afford to offer paid leave benefits on their own, so a universal state paid family and medical leave program can be a great equalizer to support small businesses in this competitive market.[127] State paid leave programs across the country contain provisions that include both small businesses and opt-in coverage for self-employed workers to ensure that all workers have access to this critical benefit. As more workers seek jobs with family friendly benefits like paid family and medical leave, a statewide paid family and medical leave program would make small businesses more competitive in today's market.

- **What about waste, fraud, and abuse?**
  The good news is that states with paid family and medical leave report no pattern of worker abuse or fraud. A survey of one state's employers reported that the vast majority said they were not aware of any instances of their employees abusing the state's paid family leave program.[128] In a study of New Jersey's paid family leave program, not a single employer interviewed identified even a single instance of abuse.[129] Indeed, several Human Resources managers interviewed expressed their views that abuse of the program was a virtual impossibility.[130] As discussed, established state paid leave programs have robust notice requirements and documentation (such as from healthcare providers), which in turn decreases the possibility of fraud. In turn, workers appreciate the transparency in the program and use only the leave they need to care for their health.

APPENDIX

Research Methodology

In putting together this report, we conducted several basic analyses, which included assessment of the labor force participation, employment, and earnings. We also used portions of these analyses as inputs for our IMPLAN analysis, which we explain in detail below.

Data

Unless otherwise specified in the text, we used American Community Survey 5-year estimates (2018-2022) for Alabama's labor force, employment, and population with earnings (ages 16+). The State of Alabama and the AL Department of Education provided us with the number of teachers in FY 2024 (57,548) and the number of all other State Employees in FY 2023 (28,807), which we added together to find the total number of State government employees who would benefit from paid leave (86,355).

Analyzing Alabama's Gender Gap in Labor Force Participation

Using our ACS data, we calculated how many women would need to join the labor force for the female labor force participation rate to equal that of men. We then calculated what this would mean as a percent increase in women in the labor force. Next, we relied on the Harvard Business Review finding that for every 10% gain in women's workforce participation yields a 5% gain in wages for everyone[131] to calculate the amount total earnings would increase if women's participation equaled that of men: we divided the percentage gain in female participation in half and multiplied that number by average earnings for the entire workforce to find the *average per worker earnings gain* that would result from closing the gap. Since the entire workforce benefits from the gain in female participation, we multiplied this average earnings gain by the entire population with earnings. This gave us the *total earnings gain* from closing the gender participation gap—this is the $9.21 billion in new statewide labor income we report in Figure 6 and used as the input for our IMPLAN analysis on closing the participation gap.

Using IMPLAN to Assess Economic Impacts

We used IMPLAN, the proprietary economic impact analysis software package, to estimate the economic impact of extending paid family medical leave to Alabama's workers. IMPLAN is an input-output modeling program that permits researchers to estimate the projected effects of an exogenous change in demand—such as increase in overall labor income due to paid leave policies—in a specified geographic region, such as the state of Alabama. The software is typically used by economic developers looking to assess the impacts of new plant locations or tax changes, but it has also been used to model the impacts of minimum wage changes, and so is well suited to assessing changes in earnings like those we examine.

Specifically, we used IMPLAN to estimate the impacts of three different scenarios—(1) women entering the workforce at the same rate as men, (2) extending paid leave to all workers, and (3) extending paid leave to only state government employees and teachers.

IMPLAN and the Labor Force Participation Gap

In model (1) focusing on closing the FMLP gap, we used the *total earnings change* (the aggregate $9.2 billion in increased earnings resulting from Alabama's women joining the labor force at the same rate as men) as the input and then modeled this as a change in labor income.

To configure each model, we used IMPLAN's proprietary 2023 data to match our 2023 ACS data and assigned 100% of our earnings change to employee compensation. We left all other options at IMPLAN defaults.

In terms of results, for labor income changes like these, the software only reports "Induced effects," which capture tail-end economic ripple effects of shifts in household spending resulting from the total change in earnings we're modeling (e.g., resulting from closing the pay gap, etc). These induced effects are reported in Section 6. To calculate the *total impact* of our labor income changes, we added the induced effects to the original amount of total new labor income that Alabama would gain (e.g., $9.2 billion from closing the pay gap). Although it is unusual to combine original and induced effects in this way for labor income changes in particular, staff economists at IMPLAN advised us this would be appropriate given that we are talking about an economic change that reflects both new earnings (our input) and the induced effects (the ripple effects of the input) together.

IMPLAN and paid leave

In our paid leave scenarios, we started with a key input—the recent analysis by the US Bureau of Labor Statistics and the nonpartisan Georgetown University research center CLASP, which determined that Alabama workers lose a total of $752.2 million in wages due to the *unpaid* leaves they take to recover from childbirth, welcome a newborn or foster child, or provide extended to care for themselves or family members struggling with long-term illnesses.[132]

In both models, we simply assumed that the $752.2 million cost of these unpaid leaves equaled the amount that workers in Alabama would receive back in "replacement wages" if in fact they had been able to take their leaves, thanks to paid family leave. For model (2) focusing on all Alabama workers, we ran this $752.2 million as a labor income impact.

For model (3) focusing on State government employees and teachers, we divided wetotal employees in Alabama by the $752.2 million to determine the Average Earnings Gain per Employee. We then took this average and multiplied it by 86,355 State government employees and teachers to determine the aggregate earnings these particular workers would receive if they had paid leave, giving us $26,048,422 in total earnings gain. This became our IMPLAN input for this model.

To configure each model, we used IMPLAN's proprietary 2023 data and assigned 100% of our earnings change to employee compensation. We left all other options at IMPLAN defaults.

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WOMEN'S FOUNDATION OF ALABAMA

Mission

Women's Foundation of Alabama is a community-driven foundation impacting the world around us by accelerating economic opportunity for women.

Vision

We envision a society where power and possibility are not limited by gender, race, or place.

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