

Brief

Essential Benefits: Paid Family Leave

Strengthening Worker Financial Health and Workforce Performance

NOVEMBER 2025

Authors

Jin Woo Chung, *Manager, Workplace Solutions*

Matt Bahl, *Vice President, Workplace Market Lead*

Necati Celik, *Manager, Research*

Contents

Introduction	3
The Case for Employees and Employers	4
For Employees: Paid Family Leave Supports Financial Stability	4
Crunching the Data: Paid Family Leave and Employee Financial Health	5
For Employers: Enhancing Workforce Outcomes	7
Designing an Effective Paid Family Leave Program	8
Conclusion: Elevating Job Quality and Business Resilience	10

Introduction

Paid family leave is far more than a workplace benefit. It can also be a critical driver in building worker financial health, ensuring employer sustainability, and growing the broader U.S. economy. Recent research from the Financial Health Network finds that access to paid family leave – a benefit that allows caregivers to maintain income while managing caregiving responsibilities – is associated with measurable improvements in employee financial well-being, including a 5-point boost in FinHealth Scores®.¹ For employers, the return is equally tangible: paid family leave drives stronger retention, higher productivity, and a more stable workforce.²

In this brief, paid family leave refers to policies that provide employees with paid time off to care for a new child, a seriously ill family member, or their own medical condition. Within this broader framework, caregiving leave specifically refers to paid time off to care for a loved one with a health need, an aging parent, or another dependent requiring ongoing support.

We focus primarily on caregiving leave, reflecting the growing share of employees who are balancing work with eldercare, chronic illness, and other long-term family responsibilities. While most existing research and legislation use “paid family leave” as the umbrella term, this report highlights how caregiving leave, in particular, supports both employee financial health and workforce performance.³

Today, more workers than ever are juggling to balance their jobs with caregiving responsibilities for aging parents, young children, or family members with disabilities or health needs. While nearly one in four workers is a caregiver, an estimated 50 to 60 million employees report that they would like to work or take on more hours, but are thwarted by employer policies that fail to recognize their caregiving responsibilities.^{4,5}

For employers, the evidence is increasingly clear that paid family leave is a strategic investment in the financial stability of both their workforces and the broader economy. By 2030, the U.S. economy is projected to lose \$290 billion in GDP each year due to unmet caregiving needs and lost

¹ Meghan Greene, Matt Bahl, & Necati Celik, “[Essential Benefits: A New North Star for Wage and Benefit Design](#),” Financial Health Network, August 2025.

² Maningbe Keita Fakaye et al., “[Caregiving-Related Work Productivity Loss Among Employed Family and Other Unpaid Caregivers of Older Adults](#),” National Institute of Health, May 2022.

³ “[Paid Family and Medical Leave Fact Sheet](#),” U.S. Department of Labor, accessed November 2025.

⁴ Debra Lerner, “[Invisible Overtime: What employers need to know about caregivers](#),” Rosalynn Carter Institute, January 2022.

⁵ Joseph B. Fuller, Manjari Raman, & Francis Hintermann, “[Hidden Workers: The Case for Caregivers](#),” Harvard Business School, October 2024.

productivity.⁶ Expanding access to paid family leave translates into measurable returns in retention, productivity, and overall workforce resilience.^{7,8}

Given this new reality, it's important to recognize that more employees are expected to take on family caregiving roles that have a significant impact on their financial and overall well-being. Employers have a critical opportunity to offer paid family leave to help workers manage critical caregiving responsibilities while maintaining their financial stability.

The State of Paid Leave Policies in the US

Unlike nearly every other high-income developed nation, the U.S. has no national paid leave policy. As a result, the responsibility for offering paid leave falls to individual states or employers – resulting in a landscape where access and benefits differ widely by location and workplace.

As of 2025, 13 states and the District of Columbia have enacted comprehensive paid family and medical leave programs, while others rely on a patchwork of voluntary or private insurance-based models.⁹ At the federal level, the Family and Medical Leave Act (FMLA) requires employers with 50 or more employees to provide job-protected, unpaid leave for parental, caregiving, or personal medical reasons to employees who have worked for the company for at least 12 months.¹⁰

The Case for Employees and Employers

For Employees: Paid Family Leave Supports Financial Stability

Caregiving often forces employees to choose between their income and family obligations.¹¹ Without paid family leave, many resort to unpaid time off, reduced hours, or even leaving the workforce altogether, all of which can erode financial health and significantly impact the broader economy.

⁶ Emily Kos et al., [“Solving the \\$290 Billion Care Crisis,”](#) Boston Consulting Group, November 2022.

⁷ Thea Garon, Jess McKay, & Jessica Mason, [“Unpaid and Unprotected: How the Lack of Paid Leave for Medical and Caregiving Purposes Impacts Financial Health,”](#) Financial Health Network, November 2021.

⁸ Meghan Greene, Matt Bahl, & Necati Celik, [“Essential Benefits: A New North Star for Wage and Benefit Design,”](#) Financial Health Network, August 2025.

⁹ Bipartisan Policy Center, [“State Paid Family Leave Laws Across the U.S.,”](#) January 2024.

¹⁰ U.S. Department of Labor, [“Family and Medical Leave \(FMLA\),”](#) Accessed October 2025.

¹¹ Thea Garon, Jess McKay, & Jessica Mason, [“Unpaid and Unprotected: How the Lack of Paid Leave for Medical and Caregiving Purposes Impact Financial Health,”](#) Financial Health Network, 2021.

Paid caregiving leave provides a stabilizing effect. According to Financial Health Network research, employees who use paid family leave are better positioned to maintain income, avoid high-cost debt, and preserve emergency savings.¹² They also report reduced financial stress, stronger day-to-day cash flow management, and greater confidence in their long-term financial goals.¹³

This evidence suggests that paid leave mitigates the immediate financial risks of a caregiving event while contributing to longer-term household resilience. Employees who use paid family leave demonstrate stronger emergency savings balances, healthier debt management, and a higher likelihood of meeting financial goals.¹⁴ These outcomes strengthen employee confidence and stability, both of which are foundational to workplace performance.

Crunching the Data: Paid Family Leave and Employee Financial Health

Employees with access to paid caregiving leave show stronger financial health across several measures. We find that they are more likely to be Financially Healthy and less likely to be Financially Vulnerable than those without access. Paid family leave users also show healthier financial behaviors overall: spending less than they earn, maintaining emergency savings, managing debt effectively, and expressing greater confidence in reaching long-term financial goals. These findings highlight the stabilizing role of paid family leave in supporting financial resilience and reducing vulnerability during caregiving periods. Paid family leave prevents caregiving events from becoming destabilizing financial shocks, allowing employees to build financial resilience over time.

Table 1. Employees with access to paid caregiving leave are significantly more likely to be Financially Healthy and less likely to be Financially Vulnerable than those without access.¹⁵

Financial health by access to paid leave.

Financial health tier	With paid family leave	Without paid family leave
Financially Healthy	33%	20%
Financially Vulnerable	13%	23%

¹² Meghan Greene, Matt Bahl, & Necati Celik, Ph.D., "[Essential Benefits: A New North Star for Wage and Benefit Design](#)," Financial Health Network, August 2025.

¹³ Financial health data of employees with access to paid leave is summarized in Table 1 and Table 2.

¹⁴ For a detailed breakdown of how access to paid leave is linked to specific financial health outcomes, see Table 2.

¹⁵ For more information about methodology, survey wording, and data behind these tables, please see: "[Essential Benefits: A New North Star for Wage and Benefit Design](#)," Financial Health Network, August 2025. More detailed information can be found in the footnotes and Appendix of the report.

Table 2. Paid family leave users demonstrate stronger financial behaviors, with both short- and long-term goals.

Financial behavior outcomes by access to paid leave.

Financial behavior	With paid family leave	Without paid family leave
Spending less than they earn	63%	48%
Have a 3-month emergency fund	66%	46%
Confident about meeting long-term goals	59%	31
Manageable debt levels	59%	49%

Why Paid Family Leave Policies Are Good for the Economy

The absence of a national paid family leave policy in the U.S. has held back economic growth and contributed to lower participation in the workforce, especially among women.¹⁶ Compared with Europe, Canada, Australia, and Japan, the U.S. has a significantly lower rate of working-age women in the labor force.¹⁷ Every country in the European Union provides paid maternity and parental leave, often lasting at least 14 weeks, and in some cases up to six months or even a year.¹⁸ In Canada, caregivers can take up to 26 weeks of compassionate leave supported by employment insurance.¹⁹ In Japan, the government subsidizes 93 days of paid caregiver leave.²⁰ These policies make it easier for working-age adults, especially women, to stay in or return to the workforce during and after their caregiving responsibilities.

The economic effects are clear. According to a U.S. Congressional report, if the U.S. had paid family leave policies similar to those of other advanced economies, there would be nearly 4.85 million more women in the workforce today.²¹ Families lose an estimated \$22.5 billion in wages every year due to the lack of paid family leave.²² Expanding access to paid family leave could help

¹⁶ [“Factsheet: What does the research say about the economics of paid leave?”](#) Washington Center for Equitable Growth, April 2021.

¹⁷ [“Statistics News Release: Labour Market Situation,”](#) Organisation for Economic Co-operation and Development, January 2025.

¹⁸ [“Maternity Leave by Country: How the US Compares,”](#) Howdy, Accessed October 2025.

¹⁹ [“Compassionate care, family caregiving & bereavement leaves,”](#) University of British Columbia, Accessed October 2025.

²⁰ [“Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members \(Act No. 76 of 1991\),”](#) Government of Japan, May 1991.

²¹ [“Universal Paid Family and Medical Leave Will Generate Economy-Wide Benefits and Spur Economic Growth,”](#) Joint Economic Committee, Accessed October 2025.

²² [“Key Facts: Paid Family and Medical Leave,”](#) National Partnership for Women & Families, May 2025.

close that gap, adding up to \$775 billion to the nation's annual GDP by boosting labor force participation and strengthening the economic security of families.²³

For Employers: Enhancing Workforce Outcomes

Beyond the positive impact of paid caregiving leave on employees navigating caregiving responsibilities, it is also associated with tangible business benefits.

Higher Retention

Employees who feel supported during caregiving responsibilities are more likely to remain with their employer. Given that replacement costs can range from half to twice an employee's annual salary, retention gains represent a substantial return on investment.^{24,25}

Improved Productivity

Financial stress reduces employee focus and engagement. Paid family leave enables workers to attend to caregiving needs without income loss, allowing them to return to work more focused and productive.²⁶

Talent Attraction

A clear and well-communicated leave policy signals that an employer values employees as whole people. In competitive labor markets, this can serve as a differentiator in attracting and retaining top talent.²⁷

Designing an Effective Paid Family Leave Program

As employers consider how to design effective caregiving leave programs, there are several key features that determine their efficacy and success.

Length of Leave

While FMLA provides up to 12 weeks of unpaid family leave, many employees can't afford to take that time without income. Some of America's leading companies, like Microsoft, Bank of America, and Google, now offer four to 12 weeks of paid caregiving leave, giving workers the flexibility to

²³ Ibid.

²⁴ ["Calculating the cost of employee turnover,"](#) Qualtrics, Accessed October 2025.

²⁵ Kara Baskin, ["How to Keep Employees Productive: Support Caregivers,"](#) Harvard Business School, January 2024.

²⁶ Thea Garon, Jess McKay, & Jessica Mason, ["Unpaid and Unprotected: How the Lack of Paid Leave for Medical and Caregiving Purposes Impacts Financial Health,"](#) Financial Health Network, 2021.

²⁷ H Kristl Davison & Adam Scott Blackburn, ["The Case for Offering Paid Leave: Benefits to the Employer, Employee, and Society,"](#) Compensation & Benefits Review, January 2023.

manage serious family responsibilities without jeopardizing their financial well-being or job security.^{28,29,30}

Transition Back to Work

Employers that offer flexible or phased return-to-work options, such as part-time schedules or short-term remote arrangements, can help employees re-enter the workplace smoothly and maintain productivity over time. Deloitte, for example, has a “Return to Work” program that allows for a gradual transition, which has helped the company retain talent after major life events.³¹

Extending Compassion through Bereavement and Care Leave

As employers consider their broader total rewards strategy, one important consideration is bereavement leave. Bereavement leave is already a commonly offered form of compassionate leave, which is often employer-granted time off to help employees manage the serious illness or death of a close relative. However, bereavement leave only applies after a loved one has passed.

What is often overlooked is the critical period before the loss, when an employee may be caring for a loved one, navigating medical decisions, or simply trying to be emotionally present. These are the moments when employees are often stretched the most, yet most workplace policies seem to offer no clear guidance during such difficult situations. This is where compassionate or caregiving leave becomes meaningful. It acknowledges that emotional labor and strain begin long before bereavement leave is triggered. Employers who expand caregiving policies to include pre-bereavement or caregiver support benefits can meaningfully reduce employee burnout and emotional exhaustion. By addressing the full spectrum of care – from anticipation to loss – employers strengthen trust, reinforce psychological safety, and enable employees to remain grounded, engaged, and better prepared to return to work fully when they are ready.

Eligibility and Access

Eligibility rules shape impact and equity. While FMLA requires employees to have worked at least a year before qualifying, some employers shorten waiting periods or offer partial benefits earlier in an employee’s tenure. This approach is especially important for industries with high turnover or for newer workers who may face caregiving demands soon after starting a job.

²⁸ Paola Peralta, “[11 companies with the best parental leave policies](#),” Employee Benefit News, March 2022.

²⁹ “[Employee benefits and perks](#),” Bank of America, Accessed October 2025.

³⁰ Alicia Adamczyk, “[These Are the Companies With the Best Parental Leave Policies](#),” Money, November 2015.

³¹ “[How Deloitte’s Return to Work programme helped this solutions manager](#),” Silicon Republic, March 2023.

In short, employers looking to offer a caregiving leave program that makes a meaningful impact should:

- Offer at least 6–12 weeks of paid leave, with flexibility for more serious situations
- Build in options for a gradual or flexible return to work
- Reduce waiting periods so that employees are immediately eligible for paid leave
- Make sure the benefit is clearly communicated, easy to access, and supported within the company

These design choices can not only ease the financial strain of caregiving, but also strengthen employee retention, well-being, and long-term engagement.

Note: The Financial Health Network provides up to 160 hours of paid leave, which, when combined with other leave options, meets the six-week benchmark recommended in this report. This disclosure is included for transparency regarding the organization's own workplace policies.

Alternatives to Paid Family Leave

Some employers offer unlimited paid time off (PTO) as an alternative to traditional leave policies. While often marketed as a flexible option for caregiving, its effectiveness is limited. As of 2025, only about 2.9% of U.S. job postings advertise unlimited PTO, mostly in tech and creative industries. Research shows that employees with these policies often take fewer days off than those with accrued leave because of unclear norms, lack of managerial support, or fear of stigma.^{32,33}

This makes unlimited PTO better suited for short-term caregiving or emergencies than for extended family or medical leave, where clear protections and expectations are essential. The policy also offers little in terms of financial wellness. Unused time cannot be banked or cashed out, eliminating a benefit that traditional PTO provides.³⁴ Ultimately, unlimited PTO can be supportive when backed by a strong workplace culture and explicit guidance, but it is not a substitute for comprehensive paid family and medical leave.³⁵

³² Weston Blasi, "[Why few companies still offer unlimited vacation time — and what perks are replacing it](#)," MarketWatch, August 2025.

³³ Kathryn Mayer, "[Here's How Many Days Employees with Unlimited PTO Take](#)," Society for Human Resource Management (SHRM), October 2024.

³⁴ Matthew NeSmith, "[How Does Unlimited PTO Work? Learn the Pros and Cons](#)," Bamboo HR, November 2024.

³⁵ Bryan Lufkin, "[The smoke and mirrors of unlimited paid time off](#)," BBC, May 2022.

Conclusion: Elevating Job Quality and Business Resilience

Paid caregiving leave is strongly linked to improved financial health outcomes for employees, as well as measurable returns for both employers and the broader economy. By preventing income loss during caregiving periods, this benefit enhances household stability, reduces financial stress, and builds long-term financial confidence. For employers, these gains translate into lower turnover, higher productivity, and a stronger reputation in the labor market. More broadly, paid caregiving leave represents a core dimension of job quality – one that supports both individual well-being and organizational performance. As Jobs for the Future’s American Job Quality Report underscores, jobs that offer stability, fair compensation, and comprehensive benefits yield better outcomes for workers and employers alike.³⁶

Ensuring equitable access to paid family leave, particularly for lower-wage and part-time workers, strengthens workforce resilience and advances economic opportunity. Employers can maximize their impact by embedding caregiving support into a broader total rewards strategy – treating it as a long-term investment in both employees and the business’ bottom line.



The Financial Health Network is the leading authority on financial health. We are a trusted resource for business leaders, policymakers, and innovators united in a mission to improve the financial health of their customers, employees, and communities. Through research, advisory services, measurement tools, and opportunities for cross-sector collaboration, we advance awareness, understanding, and proven best practices in support of improved financial health for all.

For more on the Financial Health Network, go to www.finhealthnetwork.org and join the conversation online:

-  [FinHealthNet](#)
-  [FinHealth Network](#)
-  [FinHealth Network](#)
-  [FinHealthNet](#)
-  [FHN_EMERGE](#)

³⁶ “[The American Job Quality Study: 2025 State of the U.S. Labor Force](#),” Jobs for the Future, October 2025.