



Press Release

New Paid Leave Programs Create Big Costs for Small Businesses

ANDREW EVANS | MARCH 20, 2020

The second coronavirus response package creates two new paid-leave programs: two weeks sick leave at full pay, and 10 weeks of childcare leave at two-thirds pay. But these programs promise to impose additional burdens on small businesses that are already facing cash-flow problems, notes AAF's Labor Market Policy Data Analyst Isabel Soto. The federal government is promising to reimburse the cost of these new programs, but the challenge will be getting the money to the businesses quickly enough, Soto says.

An excerpt:

As currently written, the funding for paid sick or childcare leave comes from employers first, to be reimbursed later by the Treasury through tax credits. While recent technical corrections allow for advanced refunds and potential exemptions for businesses of 50 employees or fewer, the burden still lies on small businesses to cover the upfront cost of leave.

The cashflow problem is the primary concern for small businesses. Now that so many businesses in the service, hospitality, and retail industry have closed, their revenues have come to a standstill. Small businesses can barely afford to keep up with their daily expenses. Forcing them to be responsible for two to 12 weeks leave of paid leave without any kind of guarantee they will receive that money back in a timely fashion makes the choice between layoffs and paying employees for leave an easy one.

[Read the Analysis](#)