

The Benefits and Costs of Expanding Paid Parental Leave in New York State

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Paid family leave policies allow employees to take time away from work to attend to personal family matters, such as bonding with a new child or caring for an ill family member. Notably, the United States does not provide workers with access to paid family leave at the national level. The national Family and Medical Leave Act (FMLA) guarantees job protection while participants are on leave, but does not provide leave-takers with any income replacement. *Some employers* provide paid family leave benefits to their employees. And, *some states* have introduced paid family and medical leave programs.

In this brief, we summarize and extend results from the literature on the benefits of paid parental leave, providing aggregate estimates of the benefits and costs of income support to mothers while bonding with a newborn. We then use these figures to estimate the benefits and costs of a proposed expansion to New York's paid family leave program. Note that while the proposal would cover all workers taking family leave, including those caring for ill family members and parents of newborns, we limit our analysis to the benefits and costs of paid parental leave for newborn infants and their mothers due to data limitations. The total fiscal costs of New York's expanded paid parental leave policy for the mothers of newborns would equal approximately \$679 million, a \$102 million increase from estimates of the program's current fiscal costs. The present discounted value of current and future benefits for society roughly equals \$15 billion, representing a \$2.3 billion increase from the program's current social benefits, which are more than 20 times the increase in initial costs.

KEY FINDINGS

- High quality research finds that paid leave to care and bond with newborns improves infants' health in childhood and increases their future earnings in adulthood, in addition to improving the health of participating mothers.
- The present discounted value to society that flows from these benefits is more than twenty times the annual costs of providing such leave.
- In New York, increasing the wage replacement rate from 67% to 90% for workers with low incomes and extending eligibility to workers with 4 weeks of consecutive employment, rather than 26, creates at least \$2.3 billion in additional benefits to society at a cost of \$102 million more than the current program.
- Most of the \$2.3 billion in additional benefits go to low-income leave-takers, but taxpayers also gain \$68 million in indirect benefits.

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BACKGROUND

New York is one of 10 states that have implemented state-level paid family leave programs. As of 2022, eligible workers in New York State qualify for up to 12 weeks of paid leave to care for a family member, including a newborn. Workers receive 67% of their wages during their leave (up to a maximum benefit amount based on the state's average weekly wage), and the program guarantees income to mothers and fathers alike as they welcome a new member to their family. Since the program's implementation in 2018, more than 300,000 mothers have used the paid family leave program to bond with and care for a newborn child.¹ New York's program provides a significant wage replacement in comparison to the unpaid national FMLA policy. Still, the loss of at least one-third of wages following childbirth is substantial and may deter program participation among low-income workers (who often can't get by on less than their usual earnings and who typically aren't able to save enough to make up the difference); this shortcoming of the previous policy is evidenced by the fact that low-income workers' take-up of paid leave increased during the policy's phase-in period as wage replacement rates rose. A current proposal to expand New York's paid family leave program would shift to a multi-tier payment structure, offering a 90% wage replacement rate for earnings below 50% of the state average weekly wage and a 67% wage replacement rate for wages above this threshold, up to a maximum total weekly benefit of 67% of the state average weekly wage. It would also expand eligibility by requiring only 4 rather than 26 weeks of consecutive paid employment. In this analysis, we use estimates from the paid leave literature to quantify the various benefits associated with New York's current paid parental leave program and its proposed expansion.

APPROACH

We estimate benefits through a comprehensive literature review of causal studies of paid leave programs for bonding with a newborn on infants' and mothers' future health and earnings. We rely on the minimum estimates from this causal literature to avoid the risk of overstating net social benefits. We estimate the present discounted value of the benefits and costs using a real social discount rate of 3%.² We standardize these estimates per \$1,000 investment in paid leave. Both the underlying empirical literature and the standardization procedure are described in [Appendix 1A](#).

We then apply our estimates of the benefits and costs of increased expenditures on parental leave to a proposal for expanding New York's paid parental leave program, which would expand eligibility by requiring only 4 rather than 26 weeks of previous paid employment and would increase the proportion of wages replaced for low-income workers from 67% to 90%. Expanding these parameters would increase participation and benefit amounts, resulting in the benefits and costs explained in our standardization at a larger scale. We estimate the costs of New York's expansion with a microsimulation analysis.

¹ New York State Department of Financial Services. (2023). New York State Paid Family Leave Report 2018-2022.

² Discounting is the process of estimating future gains or losses in today's terms. Because a dollar today is worth more than a dollar next year (a dollar today can be invested at the current interest rate and will be worth more than a dollar by next year), expenditures today are worth more than the same level of expenditures 10, 20, or 30 years from now. Conversely, a benefit of a certain level received in the future has a smaller monetary value in the present.

RESULTS

Social Benefits per \$1,000 Investment in Paid Parental Leave for Mothers

Table 1 presents the estimates of the present discounted value of the benefits and costs per \$1,000 investment in paid parental leave for mothers. These benefits are estimated using causal evidence on the health and earnings effects of paid parental leave. Our results show that the returns to paid parental leave for mothers and their newborns are substantial. A \$1,000 expenditure on paid parental leave increases the infant's future earnings in adulthood by \$3,712. The improvement of the infant's health in childhood is estimated to be even bigger, valued at \$8,368. The largest benefit of a paid parental leave expansion is derived from improvements to the mother's health, valued at \$10,628. Conversely, there are also costs to the mother in the form of lost earnings of \$1,327 while participating in the program, along with a small reduction in post-program earnings of \$415.³ There is also a \$1,000 cost to taxpayers for providing the benefit, which is balanced by the receipt of this \$1,000 by beneficiary mothers. The net social benefits, valued at \$20,966, are over 20 times the cost of the initial investment.

Not shown in the table is the present discounted value of indirect benefits to taxpayers that flow from the direct benefits to mothers and children. This includes the future taxes paid by infants as a consequence of their increased earnings in adulthood (\$1,039), decreased health care costs due to improved infant and maternal health (\$906), and lower taxes paid by the mother due to lower earnings during and after leave (-\$366). These indirect benefits to taxpayers total \$1,579 per \$1,000 spent.⁴

³ The effect of paid leave on mothers' post program earnings is ambiguous, as changes in employment circumstances may lead to increases or decreases in income. We utilize the literature's lowest estimate, as explained in the footnotes of Table 1, in our standardization.

⁴ More information regarding the calculation of indirect benefits can be found in Appendix 1B.

Table 1. Present discounted value of direct monetary benefits and costs per \$1,000 of paid parental leave

	Beneficiary Mothers & Children	Taxpayers	Society
Paid leave benefits	\$ 1,000	\$ -1,000	\$ 0
Increased future earnings of infants	\$ 3,712	\$ 0	\$ 3,712
Increased infants' health in childhood	\$ 8,368	\$ 0	\$ 8,368
Increased mothers' health	\$ 10,628	\$ 0	\$ 10,628
Decreased in-program⁵ earnings of mothers	\$ -1,327	\$ 0	\$ -1,327
Changes in mothers' post-program earnings	\$ -415	\$ 0	\$ -415
Total	\$ 21,966	\$ -1,000	\$ 20,966

Increased future earnings of infants: Carneiro et al. (2015) estimate the impact of paid leave on infants' future earnings. We value future earnings at 75% of their face value (\$4,949) because we estimate that 25% of increased earnings result from increased hours of work, from which workers derive no utility.

Increased infants' health in childhood: Bullinger et al (2019) and Lichtman-Sadot & Bell (2017) estimate the impact of paid leave on infants' health in childhood. We estimate that the present discounted value of increased infants' health over the entirety of childhood per \$1,000 of paid leave based on their studies are respectively \$8,368 and \$9,682 and use the lower estimate.

Increased mothers' health: Bütikofer et al (2021) and Lee et al (2020) estimate the impact of paid leave benefits on mothers' health. We estimate the present discounted value of the increases in mother's health per \$1,000 in paid leave to be \$10,628 and \$33,494, respectively, and use the lower estimate.

Decreased in-program earnings of mothers: Rossin-Slater et al (2013) estimate the increase in paid leave taking behavior following the introduction of a paid leave program. We estimate mothers would take nearly one more week (.805) of maternity leave per \$1,000 of paid leave. Multiplying 0.805 weeks by the weekly earnings of mothers in NY (\$1,647, estimated using 2019 ACS data) yields a \$1,327 decrease in earnings.

Changes in mothers' post-program earnings: Rossin-Slater et al 2013; Carneiro et al 2015; Baum & Ruhm 2016; Bailey et al 2019; Bütikofer et al (2021); estimate the impact of paid leave on mothers' future earnings. The results range from an increase of \$442-\$1,658 (Rossin-Slater et al., 2013) to a decrease of \$21 (Bailey et al., 2019), and we use the lowest estimate.

⁵ In-program earnings refer to mothers' earnings while they are participating in paid parental leave.

Benefits and Costs of Paid Parental Leave in New York State

We incorporate these estimates of the benefits and costs of increasing paid parental leave (including the indirect net benefits to taxpayers) into a simulation of an expanded paid leave program in New York aimed at increasing leave access among low-income workers. The first program change that we simulate is a move to a more progressive wage replacement rate. Under current policy, eligible leave takers receive no more than 67% of their weekly earnings up to a maximum value of 67% of the state average weekly wage. We simulate a shift to a progressive, multi-tier wage replacement rate, where eligible leave-takers qualify for replacement of 90% of their wages below 50% of the average state weekly wage, and 67% of their additional wages above this threshold up to a maximum weekly total benefit equal to 67% of the state average weekly wage. We also simulate a change to the eligibility criteria where eligibility for paid parental leave begins after 4 consecutive weeks of employment, as opposed to the 26 weeks required under the current policy. We restrict our analysis to paid parental leave for newborns, and we identify only the effects among participating infants and mothers.⁶ In our main analysis, we assume that the paid leave take-up rate under this reform would remain constant, such that while the expanded eligibility may increase the number of eligible and participating mothers, the proportion of eligible recipients who participate does not increase. In our main analysis, we also hold the average length of leave constant. Since prior evidence suggests that both take-up rates and leave length could increase in response to the expansion, we relax both of these assumptions in sensitivity analyses that follow our main analysis.⁷

Increases in the weekly paid parental leave benefit under the proposed expansion vary across the earnings distribution. The proportion of eligible recipients, or take-up rate, and the average length of leave vary for mothers with different earnings (see Figure 1, panels A and B).⁸ Despite our assumption that these parameters do not change following the expansion, the expanded eligibility criteria will increase the number of participating mothers, as more become eligible. Expanding eligibility would especially impact mothers with low-earnings; even with the lowest take-up rate among the earnings groups, they experience the greatest increase in participation through expanded eligibility (Panel C). Program participation among eligible mothers earning less than \$40,000 per year is estimated to increase by almost half (46%), with much less substantial program participation increases for mothers with greater annual earnings. Similarly, a shift to a multi-tiered wage replacement rate would increase benefits the most for mothers with the lowest earnings. Panel D demonstrates that mothers with annual earnings below \$40,000 would experience the largest increase in their weekly benefit amounts, from an estimated \$309 to \$443 (a 43% increase). Mothers at the higher end of the income distribution

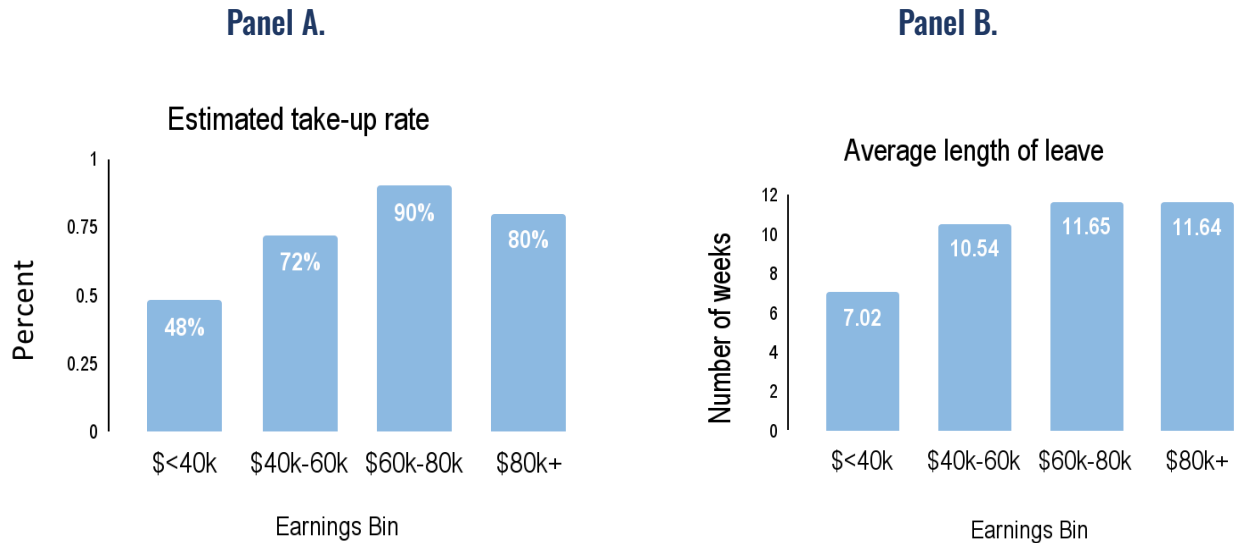
⁶ While there is available data on fathers' paid parental leave usage in New York, we lack sufficient evidence in the literature to estimate the long-term benefits of paid leave taken by fathers. Thus, we restrict our analysis to mothers. In addition, paid parental leave may be used for newborn children, adopted children, and foster children. We focus only on newborn children in this analysis, and note that all of our references to paid parental leave are specifically in regards to mothers bonding with a newborn.

⁷ See Appendix 1C for details regarding the microsimulation.

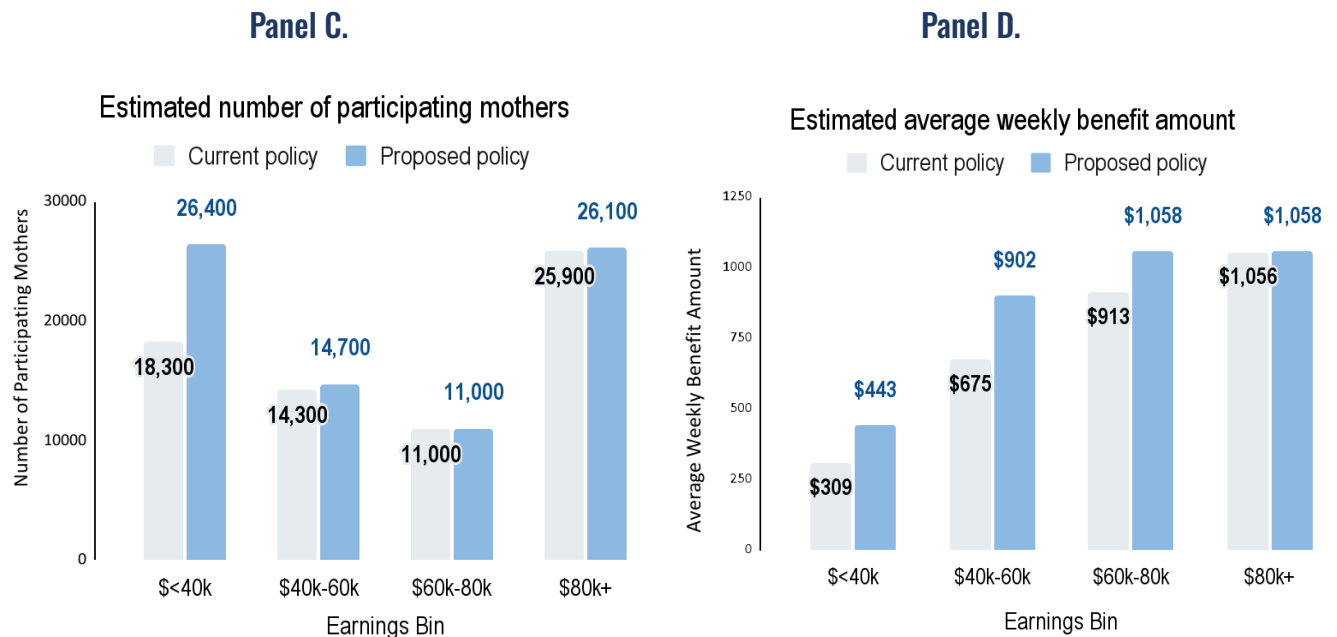
⁸ Take-up rates for each earnings bin are calculated as the proportion of eligible mothers in each earnings bin (estimated using 2019 ACS data) that received paid parental leave. The number of recipient mothers and the average length of leave by earnings bin is reported in the New York State Paid Family Leave Report.

would not see as substantial a change to their weekly benefit amounts, as benefits are still subject to a weekly cap equivalent to 67% of the average state weekly wage. Our results suggest that increasing paid parental leave payments can provide mothers of newborns with necessary income replacements, particularly benefiting mothers with the lowest incomes.

Figure 1. Simulated effects of expanded parental leave on leave taking and weekly benefits



Source: New York State Annual Paid Family Leave Report (2022); American Community Survey (2019)



Source: New York State Annual Paid Family Leave Report (2022); American Community Survey (2019)

Note: The estimated number of participating mothers is rounded to the nearest hundred.

Table 2 provides aggregate estimates of the benefits and costs of New York’s current and expanded paid leave policy, as it pertains specifically to mothers taking leave to bond with a newborn child. We estimate that the current paid parental leave program in New York costs \$577 million and is associated with \$12.7 billion in total social benefits. These benefits accrue from improvements to mothers’ and children’s health, as well as children’s future earnings, despite modest losses in the earnings of mothers during program participation and small losses in post-program earnings. These benefits also include discounted expected benefits for taxpayers through future taxes paid by infants on their increased earnings, despite small losses in tax revenue from mothers’ decreased earnings.

The proposed expansion to New York’s paid parental leave program is estimated to cost an additional \$102 million, with a total estimated cost of distributed parental leave benefits of \$679 million. Expanding the program would raise the total social benefits from \$12.7 billion to \$15 billion, or a 19% increase. These estimates rely on the minimum-magnitude results from both the causal literature and the microsimulation of New York’s program—implying that these estimates understate the magnitude of the returns to investing in paid parental leave for mothers of newborns.

Table 2. Aggregate benefits and costs of the New York State 2022 paid parental leave program and the proposed expansion (\$ million) based on minimum estimates from only the paid leave literature

	Beneficiaries	Taxpayers	Society
NYS 2022 Program			
Paid leave costs	\$ 577	\$ -577	\$ 0
Total benefits	\$ 12,346	\$ 334	\$ 12,680
NYS Program Including Proposed Expansion			
Paid leave costs	\$ 679	\$ -679	\$ 0
Total benefits	\$ 14,559	\$ 403	\$ 14,962
NYS Proposed Expansion			
Paid leave costs	\$ 102	\$ -102	\$ 0
Total benefits	\$ 2,213	\$ 68	\$ 2,281

Note: We estimate the isolated costs and benefits of the proposed expansion by subtracting the 2022 Program costs and benefits from the costs and benefits that include the proposed expansion.

The benefits of providing mothers with paid parental leave exceed both the short- and long-term program costs, improving financial outcomes and the well-being of mothers and children alike. These benefits are realized especially by mothers on the lowest end of the income distribution, who experience the greatest relative increase in their paid leave benefit.

Sensitivity Analysis

The results in Table 2 represent a minimum estimate of expanding New York’s paid parental leave program, as we assume constant take-up rates among those eligible as well as constant average lengths of leave. However, it is likely that expanding eligibility and making leave-taking more affordable for workers at the lower end of the income distribution would lead to both increases in take-up rates and increases in the average number of weeks of paid leave taken. If we assume modest increases in both, costs would increase from \$679 million to \$726 million and total social benefits would increase from approximately \$15 billion to \$16 billion.⁹

More importantly, though not listed in Table 1, other benefits are expected (for both direct beneficiaries and taxpayers) as a result of a \$1,000 increase in spending on paid parental leave. These include increases in longevity and reductions in the costs of crime. While we do not have direct evidence that quantifies the effects of paid parental leave on these outcomes, we infer these potential effects based on an extensive literature that establishes causal effects of improvements in earnings, health, and education on these additional outcomes of interest. The total benefits of investing in paid parental leave are even greater after accounting for these inferred effects.¹⁰ As described in Table 2, total direct benefits of the expanded program are estimated to be \$15 billion. After accounting for inferred benefits, the total social benefits of New York’s expanded program increases to \$17 billion, including \$1.4 billion in long-term benefits to taxpayers.

Conclusion

We estimate the impact of paid parental leave on mothers and their infants using the highest quality evidence from causal experiments. Based on the minimum estimates from studies that quantify the effects of paid parental leave on health and earnings, we find that estimates of the present discounted value of the long-term benefits of expanding paid parental leave in New York far exceed the fiscal costs – roughly \$15 billion compared to \$679 million. Future earnings of the infants are nearly 4 times greater than fiscal costs, and their improved health is valued at more than 8 times greater than fiscal costs. Improvements in mothers’ health are close to 11 times larger than fiscal costs. Taxpayers also derive future benefits equal to at least \$403 million. Overall, the total social benefits from investing in paid parental leave amount to over 20 times the fiscal costs. Our sensitivity analysis shows that, when considering the inferred benefits that accrue from expanding paid parental leave, social benefits of New York’s proposed expansion are even larger. Furthermore, while our analysis covers only the effects of paid parental leave specifically for newborns and their mothers, paid family leave also provides leave benefits for other purposes, such as to care for ill family members, which may also result in large benefits.¹¹ In short, investments in paid family leave are incredibly productive.

⁹ Details regarding these estimates may be found in Appendix 1C.

¹⁰ See Appendix 1B for a description of these estimates.

¹¹ For example, in a study of California’s paid family leave program, Arora and Wolf (2018) find that paid family leave for the care of elderly family members pays for itself in the form of reductions in nursing home costs.

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