

Testimony for the Joint Legislative Budget Hearing on Workforce Development and Labor

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My name is Meredith Slopen, and I am a postdoctoral scholar at the Stone Center on Socio-Economic Inequality at the CUNY Graduate Center and a research affiliate with the Center on Poverty and Social Policy at Columbia University. I have studied paid family leave policies since 2016. The Poverty Center produces cutting-edge research to advance our understanding of poverty and the role of social policy in reducing poverty and promoting opportunity, economic security, and individual and family wellbeing in New York and throughout the United States. Together, we have studied the benefits and costs of paid family leave programs¹. I am pleased to submit testimony on behalf of the Center discussing the current value of the program to New York state's working families and the expected impacts that expanding the policy could have on the health and economic wellbeing of the state's working families.

My testimony highlights takeup rates for New York's Paid Family leave program among low-wage workers and how the expansions proposed in S2821BA/ A4053BA benefit low-wage workers. I also **highlight the existing research on the role that paid family and medical leave programs play in improving the health and economic security of working families and their children** and discuss our recent analysis of the benefits and costs of these policies that show how expanding eligibility to workers with only 4 consecutive weeks of work and introducing a progressive multitier income replacement structure that replaces up to 90% of wages for earnings below 50% of the state average weekly wage **would increase accessibility and use of paid leave following birth by lower-income families at a critical time for child development**. Finally, it shows how the **benefits of an expansion would far outweigh the costs** through long-term

¹ For our work on the benefits and costs of expanding paid parental leave in New York State, visit: <https://www.povertycenter.columbia.edu/publication/2024/expanding-paid-parental-leave-in-new-york>

improvements in the health and future earnings of infants and the health of their parents, as well as other benefits. *Unfortunately, these key elements are not currently included in the Executive Budget.*

Overall, the proposed expansions would:

- **Address the unequal uptake of paid leave among birthing workers earning less than \$40,000 per year by making leave accessible to an estimated 8,100 mothers per year.**
- **Meaningfully increase the weekly benefit amount for low-income workers from \$309/week to \$443/week for those earning under \$40,000 and from \$675/week to \$902/week for those earning between \$40-\$60,000 per year, allowing these workers to access sufficient weeks of leave to fully gain the benefits of paid leave.**
- **Make good economic sense given the benefits to New York State: the returns to society resulting from the expansion would far outweigh the costs.**

Paid family leave has been found to positively impact worker health and family wellbeing

Paid family leave has been found to positively impact worker health, family wellbeing, while not imposing significant burdens on businesses (2). New York State became a national leader on paid leave when it passed the most generous policy at that time in the United States in 2018. The New York Paid Family Leave Act provides working families with 12 weeks of job-protected paid family leave that can be used to care for a new infant, a seriously ill family, or to address challenges related to military deployment. However, barriers remain that prevent workers earning lower wages from being able to fully benefit from the policy. **Low-wage workers are less likely to use paid family leave following birth, and when they do, on average, they use fewer weeks than their peers with higher earnings.** These gaps compromise the policy's ability to impact the health and economic security of New York's working families and limit the gains to society attributable to paid family leave.

For every \$1 spent on paid family leave, society reaps \$20 in return

A large body of research shows that paid family and medical leave policies benefit the health, wellbeing, and career trajectories of workers and their families (2). Our research uses this literature (2–9) to estimate the present discounted value – or the estimated future gains or losses in today’s terms – per \$1000 investment in paid parental leave for mothers.

We find that the returns on investment of paid parental leave for mothers and their newborns are substantial (1). 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 \$415.30. The net social benefits, valued at \$20,966, are over 20 times the cost of the initial investment.

Under the current version of the PFLA, low-income families are less able to use benefits

New York is one of ten 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.

Our research illuminates the implications of 67% reimbursement rates for workers who earn less than \$40,000 per year. Compared to their higher-earning peers, only 48% of eligible workers earning under \$40,000 claim paid family leave benefits. Even where they do make claims for leave, these workers take significantly shorter leaves – only 7 weeks on average, despite their eligibility for 12 weeks of leave. These findings imply that low-wage workers cannot afford to fully benefit from the current PFLA, with implications for equity and limiting the full potential of the policy to create social benefits via the health and economic impacts described above.

Expanding eligibility and income replacement will increase access for low-earning workers

The proposed expansion of eligibility and the implementation of a multitier income replacement structure is anticipated to increase participation among low-earning mothers compared to that under the current version of the PFLA. Participation among these workers is estimated to increase by 46% among this group. Similarly, the proposed shift to a multitiered income replacement structure would meaningfully increase the benefit received each week by workers earning less than \$40,000, as well as those earning between \$40,000 and \$60,000 – providing those families with increased economic security during a key time for child development (10). Limiting the ability of these families to fully use the generosity of PFL benefits offered by the state prevents New York from fully reaping the value of the policy.

Expanding New York's Paid Leave Policy will bring \$2.28 billion in additional social benefits

Our analysis shows that for every \$1,000 spent on paid family leave policies for the purpose of parental leave, society gains more than \$20,000. Translating these estimates to the NYS current PFLA, we find that the programs costs of \$577 million result in a social benefit of \$12.7 billion

dollars. These benefits accrue from improvements to maternal and child health, as well as children's future earnings. However, given the limited take up of leave benefits – particularly among low-earning workers – many of these gains may be left on the table. We estimate the cost of the proposed expansion to be an additional \$102 million, resulting in an additional benefit to society of \$2.28 billion dollars. Given the high rate of return, the additional expenditures to ensure access by low-earning working families should be strongly considered for inclusion.

Conclusion

Our analysis documents how an expansion of New York's PFLA would support low-earning families as they welcome a new child and points to four conclusions:

- Low-earning workers are less able to fully benefit under the current PFLA policy: expanding eligibility and implementing a multitier wage replacement structure as proposed in S2821A/ A4053A is expected to support increase participation and maximize the gains to society.
- 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 weeks, creates at least \$2.3 billion in additional benefits to society at a cost of \$102 million more than the current program.
- Paid parental leave is a strong investment for families and society, with a high return on investment. Based on the direct evidence from a tightly focused literature, we observe a \$21,210 benefit for every \$1,000 invested in paid parental leave. Translating these estimates to the NYS current PFLA, we find that the programs costs of \$577 million result in a social benefit of \$1.27 billion dollars.
- The returns to society resulting from such an expansion far outweigh costs.

Thank you very much for your time. We appreciate the opportunity to submit testimony and look forward to continuing to work with you in your efforts to support the working families of New York State.

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