

Testimony for the Joint Legislative Budget Hearing on Workforce Development and Labor
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The Center on Poverty and Social Policy at Columbia University thanks the chairs and members of the respective committees for the opportunity to submit testimony on the proposed expansion of the Paid Family Leave Act. The 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 well-being in New York and throughout the United States. We have studied the benefits and costs of paid family leave programs¹ and are pleased to submit testimony 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 well-being of the state's working families.

This testimony **highlights 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 our recent analysis of the benefits and costs of these policies (1). It also **demonstrates how proposed expansions to the NY PFLA (in S2821A/ A4053A)** to expand eligibility to workers with only four consecutive weeks of work and introduce 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, our research shows how the **benefits of an expansion would far outweigh the costs** through long-term improvements in the health and 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, this testimony shows how the proposed expansions highlighted above 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 8100 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.**

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>

Paid family leave has been found to positively impact worker health and family well-being

Paid family leave has been found to positively impact worker health and family well-being, 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 member, or to address challenges related to military deployment. However, barriers remain that prevent workers earning lower wages from fully benefiting 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, well-being, 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 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 estimated value of improvements to infant health in childhood is even larger, 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 costs to the mother in the form of lost earnings of \$1,327 while participating in the program, along with a slight reduction in post-program earnings of \$415.3.² The net social benefits, valued at \$20,966, are over 20 times the cost of the initial investment.

² 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.

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

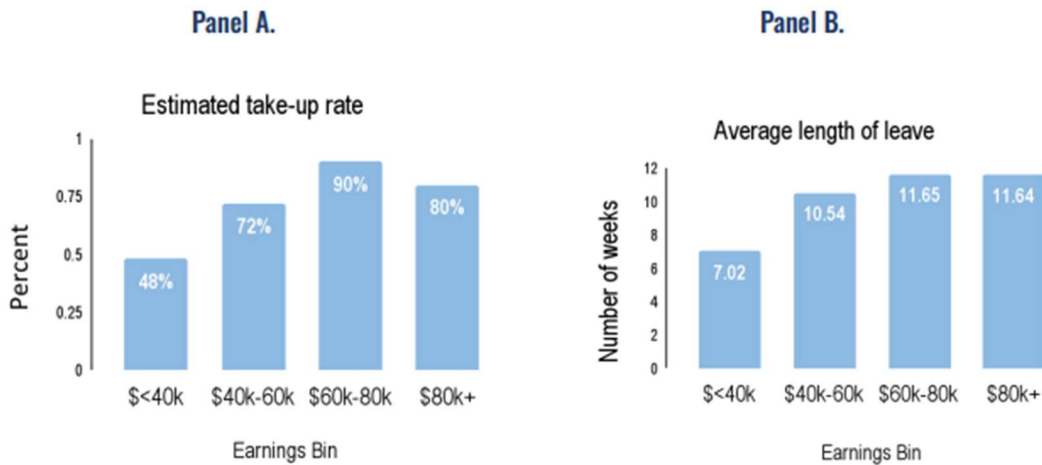
	Beneficiary Mothers & Children	Taxpayers	Society
Paid leave benefits	\$ 1,000	\$ -1,000	\$ 0
Increased future earnings of infants	\$ 3,712	\$ 0	\$ 3,712
Increased infants' health in childhood	\$ 8,368	\$ 0	\$ 8,368
Increased mothers' health	\$ 10,628	\$ 0	\$ 10,628
Decreased in-program⁵ earnings of mothers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

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 compared 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 cannot get by on less than their usual earnings and who typically are not 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.

Figure 1, Panel A (below) illustrates the implications of 67% reimbursement rates for workers earning less than \$40,000 annually. 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 seven weeks on average, despite their eligibility for 12 weeks of leave (Panel B). 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.

Figure 1: Estimated take-up and length of leave under PFLA

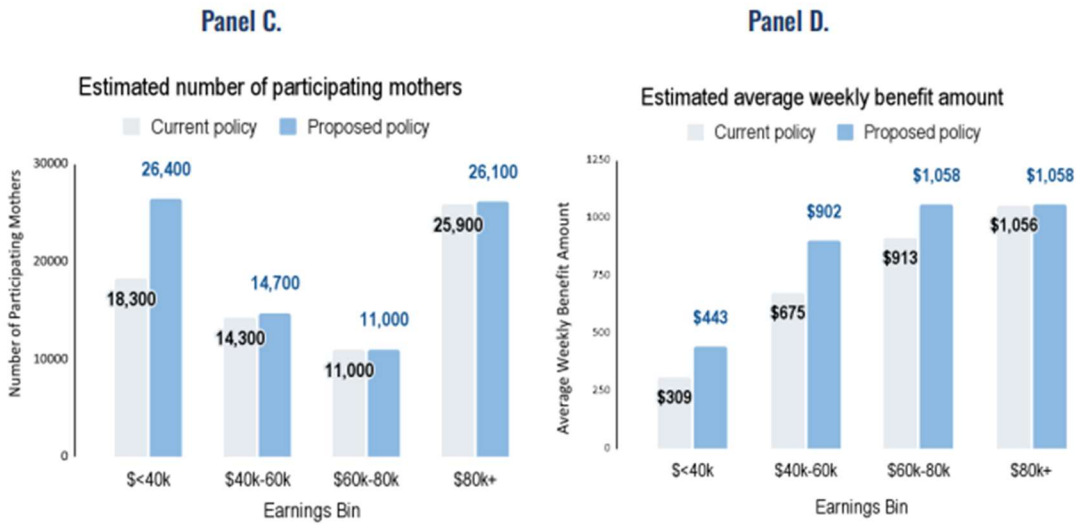


Source: New York State Annual Paid Family Leave Report (2022); American Community Survey (2019)

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 (Figure 2, Panel C). Participation among these workers is estimated to increase by 46% among this group. Similarly, Figure 2, Panel D shows that 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 critical 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.

Figure 2: Simulated effects of current PFLA and proposed expansion on leave taking and weekly benefits



For every \$1000 spent on paid parental leave, society gains more than \$20,000

Our analysis shows that for every \$1000 spent on paid family leave policies for parental leave, society gains more than \$20,000. Translating these estimates to the NYS current PFLA, we find that the program's costs of \$577 million result in a social benefit of \$12.7 billion. These benefits accrue from improvements to maternal and child health and 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. Given the high rate of return, the additional expenditures to ensure access by low-earning working families should be strongly considered for inclusion.

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.

Conclusion

This testimony provides an overview of the benefits and costs of paid leave policies and specifically documents how expanding New York's PFLA would support low-earning families as they welcome a new child. Our analysis points to four conclusions:

- 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 program's costs of \$577 million result in a social benefit of \$12.7 billion.
- 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 increased 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 four 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.
- The returns to society resulting from such an expansion far outweigh the 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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