

Benefit-Cost Analysis of Pennsylvania H.B. 181

In 2023, Pennsylvania H.B. 181 was introduced to the General Assembly to create a new paid family and medical leave (PFML) program, offering 20 weeks of paid bonding leave following the birth of a child. The program would replace wages at 90% for low wage-earners, and 70% for average wage-earners.

Key Findings



1. Enacting H.B. 181 is budget neutral.



2. Each year, bonding leave would result in a net benefit of \$379 million to families, employers, and the PA government, outweighing costs by 18 to 1.



3. Employees receive double – or more – return on their investment by contributing to the PFML program.



4. Adopting H.B. 181 would improve PA's ranking from 49 to 37 by increasing the minimum resources available to working families.

The Prenatal-to-3 Policy Impact Center at Vanderbilt University partnered with Children First of Pennsylvania to assess the implications of adopting this program for beneficiaries, employers, and the commonwealth. The benefit-cost analysis is based on the most rigorous research on paid family leave outcomes,¹ which is largely based on states providing an additional 6 weeks of leave. Given that H.B. 181 proposes a 20-week leave, the results are conservative, and the benefit of H.B. 181 is likely larger. The benefit-cost analysis is contextualized by return-on-investment case studies and a microsimulation of Pennsylvania H.B. 181 using the Center's Policy Impact Calculator.

ABOUT US

Led by Dr. Cynthia Osborne, our team of more than 30 nonpartisan researchers, policy experts, data analysts, and communicators has deep policy expertise in early care and learning, child and parent health, and economic and family supports.

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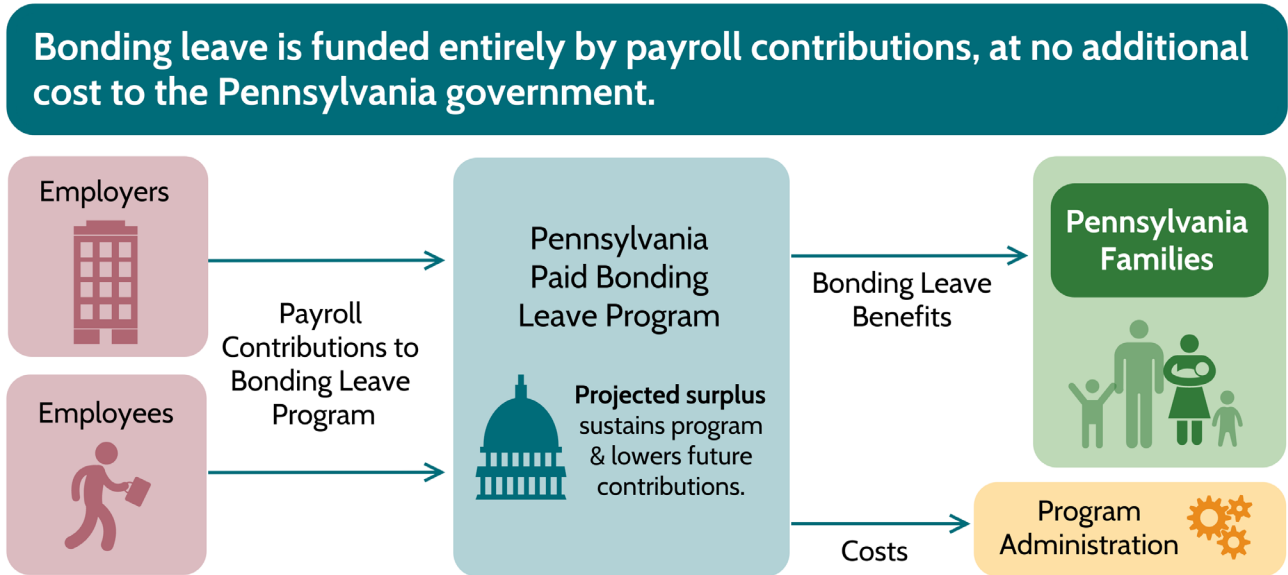
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¹ For more information, see the full evidence review for paid family leave: <https://pn3policy.org/policy-clearinghouse/paid-family-leave/>.

1. Enacting H.B. 181 is budget neutral.

No funding for the paid family leave program would come from the General Fund. H.B. 181, similar to other statewide paid family and medical leave programs, funds leave through employee and employer contributions.

With a 1% payroll contribution, the commonwealth retains a surplus, which suggests that the program would remain viable with even lower contributions. H.B. 181 divides the 1% payroll contribution evenly between employers and employees. Based on analyses using the US Department of Labor’s Microsimulation Model on Worker Leave,² the contributions collected from employees and employers (totaling \$2.5 billion) more than adequately cover bonding leave and non-bonding medical leave benefits, as well as associated administrative expenses. A 1% payroll contribution, then, would maintain the program’s self-sustainability without impacting the General Fund.



² IMPAQ International. (2021). *Worker Paid Leave Usage Simulation (Worker PLUS) Model*.

2. Each year, bonding leave would result in a net benefit of \$379 million to families, employers, and the PA government, outweighing costs by 18 to 1.


Societal Net Benefits of Bonding Leave for Each Year of Births

\$379 M in year 1
\$1.7 B lifetime

The program is estimated to incur an annual administrative cost of \$22 million, whereas annual benefits to families, employers, and the Pennsylvania government amount to over \$401 million. Taken together, this represents a net benefit of \$379 million and a benefit-to-cost ratio of 18 to 1 that persists year after year. These estimates consider costs and

benefits for all stakeholder groups, including working families of infants, non-beneficiary employees, employers, and the Pennsylvania government.

Lifetime benefits to society are even greater. For each year of births, estimates suggest \$1.7 billion in benefits over their lifetimes from access to paid family leave, after accounting for costs of the program. Lifetime net benefits include costs avoided because of reductions in child poverty, fewer maternal and infant deaths, and lower spending on health care, education, and criminal justice.

 **Pennsylvania Working Families with Infants**
Net Benefit = \$683 M

Benefit = \$726 M (+)

- \$23 M lower health care cost
- \$222 M lower child care cost
- \$109 M increased employment and household income
- \$372 M benefit payments from the program


Cost = \$43 M (-)

- \$25 M payroll contributions
- \$3 M income tax
- \$15 M sales tax

The societal benefits can be broken down to examine how working families with infants and the commonwealth benefit separately, considering each of their respective investments into the program (i.e., costs).

◀ Benefits for Working Families with Infants

Working families with infants would receive an annual net benefit of \$683 million. The economic benefits include lower health care and child care costs, increased employment and household income, and direct benefit payments from the bonding leave program. Children and their families would experience increases in childhood immunizations, breastfeeding, and postpartum doctors' visits, as well as decreases in poverty, maternal postpartum psychological distress, abusive head trauma, infant hospitalizations, food insecurity, and premature child and maternal deaths.

 **Commonwealth of Pennsylvania & Paid Bonding Leave Program**
Net Benefit = \$808 M

Benefit = \$1,202 M (+)

- \$1,166 M payroll contributions
- \$12 M state-sponsored health care cost avoided
- \$6 M decrease in spending on non-parental infant care
- \$15 M sales tax
- \$3 M income tax

Cost = \$394 M (-)

- \$22 M administrative cost of bonding leave program
- \$372 M benefit payments to families in the program

◀ Benefits for the Commonwealth of Pennsylvania

The commonwealth would realize a substantial net benefit of \$808 million, including payroll contributions collected from employers and employees (\$1,166 M), more sales and income tax revenue collected (\$18 M in total, which comes as a cost to families with infants), and state-sponsored health care costs avoided (\$12 M), among other benefits.

3. Employees receive double – or more – return on their investment by contributing to the PFML program.

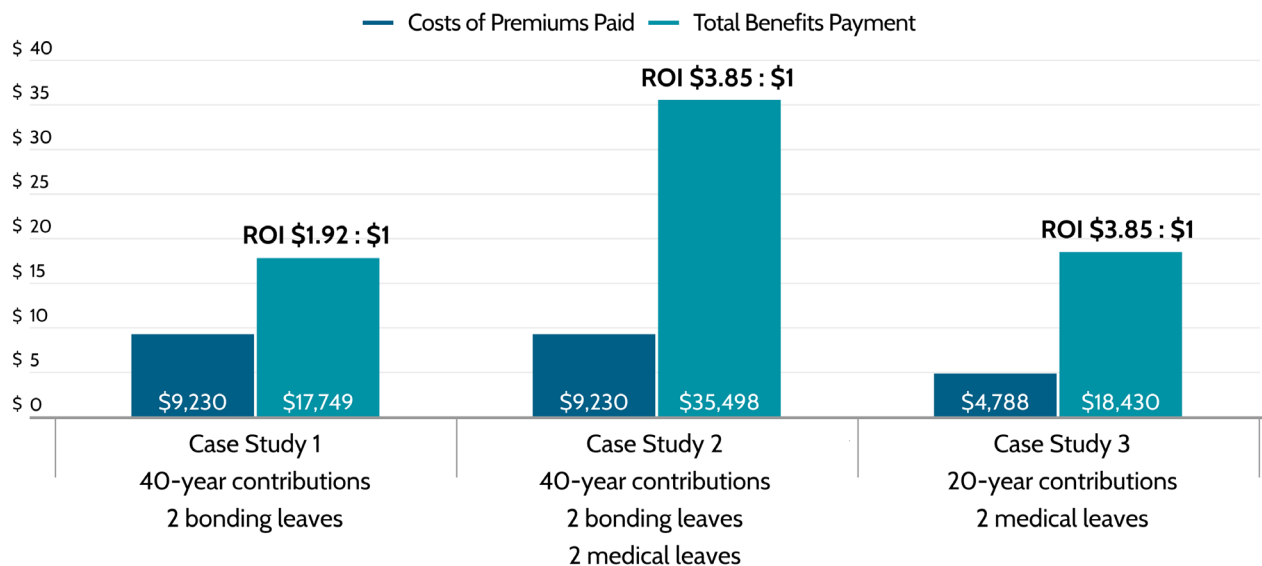
The findings reveal significant financial returns to employees participating in the PFML program, including both bonding and non-bonding leaves, with employees receiving benefits two to four times larger than premiums paid.

To better understand the potential benefit of the proposed program, we conducted three case studies that calculate the benefit to employees with varying needs for leave –

- Case Study 1: An average worker working 40 years and taking two bonding leaves. The benefits paid to this worker would almost double their contribution (\$1.92 in benefits received for every \$1 paid in premiums).
- Case Study 2: An average worker working 40 years and taking two bonding and two medical leaves. This worker would receive benefits approaching four times the amount they pay in premiums (\$3.85 in benefits to every \$1 in premiums).
- Case Study 3: An average worker working 20 years after their childbearing years are over, taking two medical leaves. Similar to the worker in case study 2, this worker would receive benefits approximately four times the amount they pay in premiums (\$3.85 in benefits to every \$1 in premiums).

All leaves are assumed to be the maximum duration of 20 weeks. For each of the case studies, direct benefits include weekly payments from the program during their leaves, and costs include premiums contributed over the work period.

Return on Investment for Median Workers, Pennsylvania Paid Family Leave



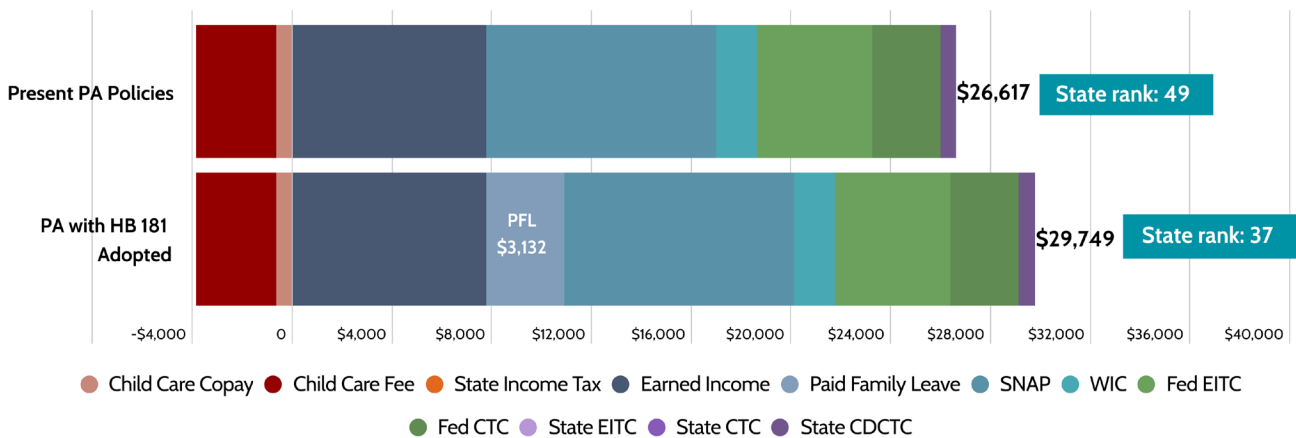
Notes: As per Pennsylvania House Bill 181, we assume a 0.5% payroll tax. Contribution estimates are based on 2022 median annual wages adjusted to 2023 dollars. Benefits are based on the maximum leave duration of 20 weeks.

4. Adopting H.B. 181 would improve PA’s ranking from 49 to 37 by increasing the minimum resources available to working families.

State policy choices significantly impact a family’s total resources. Currently, Pennsylvania’s policy choices leave it ranking third-to-last among 50 states and the District of Columbia in terms of the resources available to working families with low incomes, according to the Prenatal-to-3 Policy Impact Center’s Policy Impact Calculator (PIC).³ The PIC illustrates how state policies interact to impact the minimum level of resources available to a family of three, consisting of a single parent working full time in a minimum wage job with an infant and a toddler. Using the Policy Impact Calculator, we simulate the level of resources available to a family of three in Pennsylvania, considering two scenarios: the existing policies and the potential impact of adopting H.B. 181.

The adoption of H.B. 181 would **increase the family’s resources by \$3,132 annually** in paid bonding leave benefits and improve Pennsylvania’s overall ranking from 49 to 37.

The Impact of Policy Choices on Family Resources in Pennsylvania*



Conclusion

Our analysis, which builds on a substantial body of rigorous causal research, suggests that the adoption of H.B. 181 could have far-reaching positive implications at no additional cost to the General Fund. Bonding leave will lead to economic benefits for employers and the Commonwealth of Pennsylvania, maternal and infant lives saved, and improved health and development across the lifespan of families.

³ For more information on the Policy Impact Calculator, see: <https://pn3policy.org/2023-policy-impact-calculator/>.

* To the extent possible, data reflect policies as of October 1, 2023 & tax year 2023. All earnings, benefits (both federal and state), and child care costs are based on a family of three comprised of a single parent working a full-time, minimum wage job for 9 months with 12 weeks of maternity leave. The family includes two children (an infant and a toddler) in full-time, center-based child care. For detailed source notes and additional information see our [Policy Impact Calculator](#) and [Methods and Sources](#).