

Paid Family Leave: Costs and Savings for St. Louis City

Paid family leave benefits both workers and employers by allowing employees to address the caregiving needs of their family without losing their jobs or ability to pay their bills and by reducing employer costs associated with high turnover, low worker retention, and decreased productivity.

This analysis provides a fiscal estimate of a proposal to provide paid leave to St. Louis City employees. The proposed policy would provide:

- 12 weeks paid parental leave for the birth, adoption, or foster care placement of a child.
- 4 weeks of paid caregiver leave for a spouse, parent, or child (which are existing FMLA categories) as well as additional eligibility to care for an in-law or parent of a domestic partner, grandparent, or a sibling with a serious health condition.
- 2 weeks of paid military deployment leave for a “qualifying exigency” related to military deployment of a spouse, child, or parent such as making alternative child care arrangements, attending certain military ceremonies, and making financial or legal arrangements.

The table below provides an overview of the estimated costs to St. Louis City to provide paid family leave. **We find that expanding paid family leave to St. Louis City workers would cost approximately \$1.05 million in wages annually, but would also be offset by significant cost savings in the form of reduced turnover, improved worker retention, & increased productivity.**

Cost of Paid Family Leave

Type of Family Leave	Estimated Annual Leave Requests	Average Weekly Wage	Proposed Weeks of Paid Leave	Annual Cost Per Employee	Annual Cost of Paid Family Leave
Birth, Adoption, Foster Care	44	\$1,004.80	12	\$12,057.60	\$530,534.40
Caregiving for Family Member	128	\$1,004.80	4	\$4,019.20	\$514,457.60
Military Family Leave	2	\$1,004.80	2	\$2,009.60	\$4,019.20
Total	174				\$1,049,011.20

Savings from Paid Family Leave

Paid family leave is an investment in a modern workforce, but also an investment that helps an employer's bottom line by allowing workers to continue to make productive contributions in the workplace while simultaneously fulfilling family care obligations.

Paid family leave has been shown to lead to significant savings for employers primarily by reducing employee turnover and boosting worker retention. In fact, research has shown that access to paid family leave reduces the likelihood of new mothers leaving the labor force by 20%¹. Rehiring and training a replacement represents a significant cost to employers and is estimated to cost approximately 21% of a lost employee's annual salary².

Paid family leave increases productivity and has little impact on daily operations. Research has shown that work-family benefits attract a higher quality workforce and reduce absenteeism and tardiness among workers, thereby increasing overall productivity³. Further, 87% of employers in California reported a positive effect or no noticeable effect on business operations due to paid family leave and 91% report a positive effect or no noticeable effect on business profitability and performance upon instituting family leave.⁴

American Rescue Plan

The American Rescue Plan (ARP) allocated nearly \$440 million to St. Louis City that may be used to support efforts to bring the pandemic under control and to support economic stabilization for workers, households, businesses, and the public sector⁵. Paid family leave would meet these objectives by allowing workers the opportunity to provide care for family members without having to lose income as a result of that care. **Local fiscal relief provided through ARP provides a unique opportunity to fund paid family leave for St. Louis City workers allowing St. Louis City to build a vibrant and competitive workforce.**

***Methodology used for paid family leave estimates: Annual Leave Request** estimates based on average annual new FMLA leave requests in 2019 & 2020 obtained from STL City Personnel Department adjusted for a 10.3% increase⁶ in uptake in caregiver leave to account for new categories of eligible care recipients; **Average cost of one week of leave:** average bi-weekly rate for salaried civil service employees obtained from STL City Personnel Department; **Military deployment leave:** Usage data for military leave are unavailable but uptake is expected to be quite low. Estimate assumes two employees taking leave annually.*

¹ Jones, K., & Wilcher, B. (2019). Reducing maternal labor market detachment: A role for paid family leave. American University Working Paper Series

² Boushey, H., & Glynn, S. J. (2012). There are significant business costs to replacing employees. Center for American Progress, 16, 1-9.

³ Meyer, Christine Siegwarth, Swati Mukerjee, and Ann Sestero. "Work-family benefits: which ones maximize profits?." *Journal of managerial Issues* (2001): 28-44.

⁴ Appelbaum, E., and R. Milkman. "Employer and worker experiences with paid family leave in California." *Leaves That Pay* (2011): 1-32.

⁵ U.S. Department of the Treasury. Coronavirus State and Local Fiscal Recovery Fund. Funding Objectives & Allocation for Metropolitan Cities.

⁶ Missouri Budget Project analysis of average annual paid family care claims for recipients other than a spouse, parent, or child in FY2012-2021. State of California Employment Development Department: Paid Family Leave Program Statistics.