KEYSTONE RESEARCH CENTER

# Paid Parental Leave is a Smart Investment in Allegheny County's Families & Economy.

*While designed to solve a public health emergency, most discussion of County Executive Innamorato's Paid Parental Leave proposal has focused on its costs. Our analysis shows them to be minimal.*

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## Introduction

On May 13th, 2026, County Executive Sara Innamorato and the Allegheny County Health Department (ACHD) announced proposed regulations that would require all employers in Allegheny County to provide their employees with 18 weeks for paid parental leave. Consistent with ACHD's mandate and its authority under the Public Health Law, the proposed regulations were designed and justified on the basis of their potential to improve public health; however, much of the discourse on their proposed effect has understandably focused on their economic implications for businesses, workers, and families. To that end, this report is intended to analyze the economic impact of ACHD proposal.

## Methodology

Using the Worker Paid Leave Usage Simulation (Worker PLUS) Model[1] we conducted a simulation of ACHD's proposed parental leave regulations in order to project the expected number of workers eligible for the proposed benefit in a given year, as well as

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[1] IMPAQ International. (2021). *Worker Paid Leave Usage Simulation (Worker PLUS) Model.* Chief Evaluation Office, U.S. Department of Labor, https://www.dol.gov/resource-library/microsimulation-model-worker-leave, June 23, 2026.

the aggregate annual cost to employers of complying with the proposed mandate to all eligible workers. Because the Worker PLUS Model is designed to produce simulations for state-level paid leave policies, the initial results produced a projection of the outcomes in a scenario where the ACHD policy design was implemented for all of Pennsylvania. We then narrowed the results to Allegheny County by extracting the Allegheny County Place of Work (POW) Public Use Microdata Area (PUMA) as defined by the US Census Bureau.[2]

Once the population of eligible workers and the cost to provide benefits assuming 100% participation were modeled, an estimated benefit take up rate of 40.46% was applied, based on an average of the experience of three states (California, New Jersey, Rhode Island) with well-established programs.[3] This produces a projected aggregate annual cost of compliance, as well as a projected number of leave takers in a given year.

Against these projections of aggregate cost and leave utilization, scholarly studies of labor market detachment rates for new parents with and without paid leave,[4] as well as research into costs associated with employee turnover,[5] were applied to estimate savings produced from a reduction in turnover as a result of the implementation of a paid parental leave mandate in Allegheny County.

We used further insights from the same studies on leave taking behavior among new parents who do not exit the workforce, as well as further prior research into the economic multiplier effect of parental leave transfer payments,[6] to project the level of

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[2] POWPUMA: Allegheny County 1700

[3] KRC analysis synthesizing (1) Butcher, Kristen F., Deniz Civril, and Sari Pekkala Kerr, "The Impact of State Paid Leave Laws on Firms and Establishments: Evidence from the First Three States," Federal Reserve Bank of Chicago, 2024, https://doi.org/10.21033/wp-2024-12; and (2) Kaiser Family Foundation analysis of CDC National Center for Health Statistics, National Vital Statistics System, Natality public-use data via CDC WONDER Online Database. Total Number of Births, KFF State Health Facts. https://www.kff.org/state-health-policy-data/state-indicator/number-of-births/.

[4] KRC analysis taking the average of the labor market detachment findings of (1) Jones, Kelly, and Britni Wilcher, "Reducing Maternal Labor Market Detachment: A Role for Paid Family Leave", Labour Economics, Volume 87, 2024, ISSN 0927-5371, https://doi.org/10.1016/j.labeco.2023.102478, and (2) Baum, Charles L. II, and Christopher Ruhm, the Effects of Paid Family Leave in California on Labor Market Outcomes", Journal of Policy Analysis and Management, Volume 35, Issue 2, pp. 333-356, 2026, https://doi.org/10.1002/pam.21894.

[5] Boushey, Heather, and Sarah Jane Glynn, "There Are Significant Business Costs to Replacing Employees", Center for American Progress, 2012, https://www.americanprogress.org/wp-content/uploads/sites/2/2015/08/CostofTurnover0815.pdf.

[6] Palladino, Leonore, and Chirag Lala, "The Economic Effects of Investing in Quality Care Jobs and Paid Family and Medical Leave", Political Economy Research Institute, University of Massachusetts Amherst, 2021, https://peri.umass.edu/wp-content/uploads/joomla/images/publication/Economic-Effects-of-Investing-in-Quality-Care-Jobs-and-Paid-Family-and-Medical-Leave2.pdf.

new economic activity generated by spending on the part of the subset of the eligible population that, in the absence of a paid leave mandate, would instead take unpaid leave.

Finally, the projected savings from reduced employee turnover and the offset generated by the economic multiplier effect were applied to the projected cost of compliance to produce a net cost of compliance resulting from the implementation of the ACHD proposal.

## Findings

Based on our analysis, we project that the aggregate annual cost to firms for providing the leave benefit required by the ACHD proposal would be $170.9 Million and would benefit 10,641 new parents per year, whose average benefit would be $16,065. While on their own these figures seem large, it is important to consider them in the context of the overall Allegheny County Economy: Allegheny County has an annual Gross Domestic Product of approximately $133 Billion,[7] and an employed workforce of approximately 630,000,[8] for a GDP per employed person of $211,000. Thus, the combined cost to employers of providing the proposed benefit represents only approximately 0.13% of County GDP; leave takers in any individual year represent roughly 1.7% of employed persons, and their average benefit accounts for 7.6% of their individual contribution to the County's economy.

Comparing only these relatively modest costs to the extensive improvements to infant and maternal health outcomes achieved by other jurisdictions that have implemented similar policies makes a strong case for the ACHD proposal on its own; however, there are also economic benefits to the implementation of a parental leave mandate that should be considered.

First; paid parental leave policies have been shown to improve the workforce participation rates of child-bearing age workers. Studies of workforce outcomes for new mothers find that access to paid parental leave increases a new mother's likelihood of remaining in the workforce between 20%[9] and 92%,[10] with the average finding across studies of 52%. This finding is significant because the Center for American Progress

[7] U.S. Bureau of Economic Analysis, Gross Domestic Product: All Industries in Allegheny County, PA [GDPALL42003], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/GDPALL42003, June 9, 2026.
[8] U.S. Bureau of Labor Statistics, Employed Persons in Allegheny County, PA [LAUCN420030000000005], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/LAUCN420030000000005, June 23, 2026.
[9] Jones & Wilcher, 2024.
[10] Baum & Ruhm, 2026.

estimates the cost of employee turnover at 20% of annual salary for workers making $30,000-$75,000/yr.[11] This cost doesn't just include the transactional mechanics of separating from one employee and hiring another, it also takes into account the difficulty of replacing talent, institutional knowledge, and skills that the departing employee takes with them, and that the employer will need to invest in developing in a new hire. Applying CAP's turnover cost/experience drain estimate to the County's average wage of $66,390/yr[12] and our projection of female leave takers, we can project that the implementation of ACHD's proposed regulation will save Allegheny County employers approximately $9.2 Million each year in turnover costs.

Second, parental leave benefit payments paid to new parents who would otherwise take unpaid leave not only increase their economic wellbeing, they also circulate through the local economy. An analysis conducted by the Political Economy Research Institute at the University of Massachusetts Amherst found that every $1 spent on paid leave benefits increased the earnings of other workers in the local economy by $.50.[13] Applying this multiplier effect to the benefits we project would be paid to workers who would otherwise take unpaid leave, we project that implementation of the proposed regulations would generate $49.7 Million in economic activity each year to offset the total cost of compliance.

Finally; research shows that workers who are provided with paid leave are more productive. New parents, especially birthing parents, are exposed to increased physical and mental health risks following birth. In the absence of a paid leave benefit, these individuals are likely to engage in either absenteeism (calling off from scheduled work) or presenteeism (reporting to work while unwell and thus underperforming). Both absenteeism and presenteeism significantly reduce these workers' productivity on the job. While a lack of studies specifically examining absenteeism and presenteeism rates in new parents prevent us from projecting the specific savings to be expected if the ACHD proposal were approved, research into the impact of paid sick leave programs generally suggest that it would be significant: an analysis of Massachusetts' paid sick leave regulations found that paid leave generated up to $1.2 Million in annual statewide productivity gains, primarily from reduced presenteeism; this study also found that specifically for workers with depression, which is a common health challenge for new

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[11] Boushey & Glynn, 2012.
[12] Pennsylvania Department of Community & Economic Development, "Average County Wages", Accessed June 23, 2026, https://dced.pa.gov/list-of-average-county-wage/.
[13] Palladino & Lala, 2021.

parents, the productivity benefit per employee was at least $880/yr, compared to a $258/yr. per employee leave insurance cost – a positive return on investment of 3.4:1.[14]

## Conclusions

In summary, our analysis indicates that the aggregate costs across all employers to comply with the proposed ACHD regulation are small when compared to the county's economy as a whole, and numerous studies have shown that employers stand to recover a significant portion of those costs in the form of increased retention productivity, and consumer spending.

Our analysis projects that **the proposed ACHD regulation would result in 10,641 employees of Allegheny County firms taking advantage of the mandated paid parental leave each year, representing only 1.7% of the actively employed workforce. These workers will, on average, receive a benefit of $16,065, reflecting 7.6% of their average individual contribution toward the County's GDP.**

Beginning with a projected total annual cost of compliance of $171 Million, and applying the cost offsets of 1) $9.2 Million in projected savings from improved workforce participation, and 2) $49.7 Million induced economic activity, for a total offset of $58.9 Million, **we project a net cost of compliance of $112 Million, or just 0.08% of Allegheny County GDP. This is less than the cost of workers' compensation claims ($190.6 Million, 0.14% of GDP)[15] or paid vacation time ($1.29 Billion, 0.97% of GDP)[16] incurred by Allegheny County employers each year.** A further offset can reasonably be expected from reductions in absenteeism and presenteeism in new parents returning to work, however insufficient study of this dynamic has prevented us from mathematically incorporating this dynamic into our projections.

The impact of the proposed regulation is most vividly depicted in the case of the Allegheny County median household: **in a year in which a family making the median**

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[14] National Partnership for Women & Families, "The Impact of Paid Leave on the Health of Massachusetts", 2025, https://nationalpartnership.org/report/the-impact-of-paid-leave-on-the-health-of-massachusetts/.

[15] KRC Analysis based on PA Bureau of Workers Compensation,"2024 Pennsylvania Workers Compensation And Workplace Safety Annual Report", Pennsylvania Department of Labor & Industry, https://www.pa.gov/content/dam/copapwp-pagov/en/dli/documents/individuals/workers-compensation/publications/documents/2024-wc-annual-report.pdf.

[16] KRC Analysis based on Williamson, Molly Weston, "The State of Paid Time Off in the U.S.", Center for American Progress, March 5, 2026, https://www.americanprogress.org/article/the-state-of-paid-time-off-in-the-u-s/

**household income of $78,548[17] welcomes a new child, the proposed paid parental leave benefit would contribute 34.62% of the family's income for the year, significantly stabilizing household income during a significant life event.** While significant in the year of birth, **at the same time the cost of providing the benefit to the parent(s) in the median household only accounts for 1.38% of career earnings;** this is because the average family only has 2 children, resulting in only 2 parental leave events for a household over the course of the career of its adult members.

When weighed against the maternal and infant health gains that such policies generate, the conclusion is clear: paid parental leave is a smart investment in Allegheny County's long-term public health and economic strength.

[17] U.S. Census Bureau, "American Community Survey" https://www.census.gov/quickfacts/fact/table/alleghenycountypennsylvania/PST045225.