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# L.A.'s feel-good plan for paid leave won't feel nearly as good when the costs pile up

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City Councilwoman Nury Martinez and Councilman David Ryu have introduced a motion to develop a paid parental leave plan for Los Angeles.

Already, California's parental and family leave programs offer up to 18 weeks of paid leave, at up to 70% of one's pay, capped at $1,252 per week. The state programs are funded through mandatory payroll deductions; all employees contribute, not just those who benefit.

Under the proposed city program, L.A. businesses would likely be asked to cover the difference between 70% and 100% of workers' wages.

Ryu says this policy is "good for business." Proponents say it raises productivity, reduces turnover and increases profits.

But if it were truly good for businesses, more of them would offer paid maternity leave without a government mandate. This initiative would put L.A. businesses at a competitive disadvantage, hindering economic development efforts.

Although proponents point to the benefits of having parents at home with newborns, they then brag that parental leave policies raise labor force participation rates. Not everyone would agree that it is a good thing to encourage new parents to stay in the labor force.

When Americans were polled by the Pew Research Center in 2017, they expressed support for paid leave and, it should come as no surprise, a preference that it be paid for by businesses. But that's not how things work.

Mandated benefits raise the costs of hiring workers. Employers are aware of how much workers contribute to their bottom line. They won't pay more than that.

When benefits are mandated by governments, it can lead firms to cut back in other ways. Over time, costs imposed on employers by mandated leave will result in reductions in other benefits, such as sick days or dental benefits. We can also expect slower growth in wages.

Finally, higher labor costs could encourage businesses in some sectors of the economy to consider investing in labor-saving technologies, thus leading to a decline in the demand for employees.

These adverse effects won't be obvious right away, and, by the time they occur, because so many other things are going on, it will be hard to connect any specific negative impacts to the mandated benefit.

To the extent that the initiative discourages businesses from locating in the city, we can expect the city’s tax revenues to fall faster or grow slower than they would otherwise. In some cases, higher business costs are likely to lead to higher consumer prices over time.

Moreover, employers may discriminate against individuals likely to qualify for the benefits. This will make it harder for potential parents to secure employment. And because of the business costs, a proposed exemption for small businesses and nonprofits could exclude about 40% of workers in the city.

Martinez and Ryu say their main concern is about low-income families who choose not to take paid leave because they are not getting full pay. But many programs already exist to assist such households.

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State residents are eligible for both the state and federal Earned Income Tax Credit, a renters tax credit, subsidized health insurance, CalFresh (food) and CalWorks (public assistance). The Pew survey found that, of low-income workers nationwide who did not receive full pay while on leave, nearly half reported taking advantage of public assistance.

Of the low-income individuals who are eligible but chose not to take paid leave, some expressed a connection to their jobs and viewed their continued presence at work as the key to promotions and long-run financial stability for their families. They may have extended families who assist in child care. This policy initiative will not change that dynamic.

All in all, this is a feel-good policy. If Angelenos were aware of all the costs of this plan, they would see that it is not in the city’s interest.

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