

To: Mayor and Council Members
From: Nate Burkett, Assistant City Administrator
CC: Bill Reynolds, City Administrator
Date: March 14, 2019
Subject: Paid Parental Leave

At the strategic planning session held by council on February 12, 2019, staff was asked to prepare information regarding paid parental leave. This memo serves to provide that information and resources for interested council members on the subject.

Summary

- Employees are currently afforded up to 12 weeks off for parental leave through FMLA. Because of sick/vacation balances, most employees are paid for all or part of that time.
- The city also uses our leave donation policy to help employees in extenuating circumstances and management is flexible to help employees maintain a positive work/life balance.
- Other governmental organizations and private businesses are adopting and adding time to their paid parental leave policies, and there is legislation under consideration during the current legislative session regarding paid parental leave.
- The annual estimated cost to adopt a policy for one week of paid parental leave is \$7,500 in lost productivity and \$5,600 direct cost.
- Paid parental leave programs are becoming more of the norm and may help with employee recruitment and retention.

Current Parental Leave Benefits for City of Shakopee Employees

The city is guided by two primary laws regarding parental leave. At the federal level the Family and Medical Leave Act (FMLA) creates requirements, and on the state level the Pregnancy and Parental Leave Act (Mn Stat 181.940) creates requirements. FMLA is generally more restrictive than the Paid Parental Leave Act. Therefore, most of the city's current policies and practices are designed to meet or exceed FMLA requirements.

Employees are eligible for parental leave regardless of gender. It is available for the birth of a child, adoption or placement of foster children if the following criteria are met:

- The employee has been employed by the city for at least a year and
- The employee has worked a minimum of 1,250 hours in the previous 12-month period.

Once eligible, an employee is allowed up to 12 weeks (480 working hours) of unpaid leave. During this leave status:

- Leave may be taken consecutively (i.e. all at once) or intermittently (as needed)
- An employee has a right to be reinstated to their position

- Employees with sick or vacation balances must use their sick or vacation hours during the time period they are on leave status (effectively making all or a portion of the leave paid, but the hours still count against the 480-hour maximum)
- Employees who have exhausted their leave balances may use unpaid leave up to the 480-hour maximum.
- The city will continue paying the city portion of health benefits during leave regardless of whether it is paid or unpaid. If an employee chooses not to return to work after the leave period, the city will seek reimbursement of these benefits.

Also of note is the city's sick leave donation policy, which allows employees who are taking FMLA leave to anonymously ask their fellow employees for donation of sick time. While this would not typically be used for parental leave; an employee with extenuating circumstances could request it and the city administrator has the authority under policy to authorize it.

The city currently has reasonable paid time off accruals for full-time employees. An employee who has been with the city for several years will most likely have a reasonable sick/vacation balance to cover the leave. The city also offers AFLAC to employees (at their cost), which pays a portion of a birthing parent's wages after the birth

Additionally, while not specified in policy, as a matter of practice, the administration and management of the city are very flexible with employees before, during and after any FMLA leave period. It is common for management to adjust work schedules when possible, allow greater flexibility when possible and provide support to employees in any way that we can.

Other Background

Legislation

For the last two legislative sessions there have been bills introduced in both the Minnesota House and Senate to establish a law that provides for up to 12 weeks of partial wage replacement for parental and medical leaves. The state would set up a funding pool, paid for through payroll tax deductions, to fund a portion of an employee's wages for a qualified event.

There is no shortage of news coverage on this proposed legislation and Governor Tim Walz campaigned on the issue. It would not be surprising to see legislation in some form pass the House, but at least for this term it would seem unlikely to pass the Senate. While it seems unlikely to pass in this session, it is possible and should be taken in to consideration if there is further discussion on offering additional paid parental leave benefit by the city.

Other organizations

More organizations including private businesses, non-profit organizations and government entities are offering paid parental leave. The offerings seem to range from two weeks of paid parental leave to up to 20 weeks of paid parental leave with the higher ranges being in the private sector. Some examples based on a brief search are:

Government	Private
Richfield – 2 weeks	3M – 20 weeks

Minneapolis – 3 weeks	General Mills – 20 weeks
Brooklyn Park – 2 weeks	Cargill – 2 weeks
St. Louis Park – 3 weeks	
State of MN – 6 weeks	

Analysis

Cost of Paid Parental Leave

Costing out any proposal related to providing for paid parental leave for employees is difficult because it is difficult to project the number of employees in a given year that would be eligible for paid parental leave. Our best estimation is that in an average year four to five employees would be eligible. However, there will be outliers from the average, such as 2018 where based on our best count we had 10 employees who would have been eligible for paid parental leave.

It is also difficult to project the costs of paid parental leave because each position will have different requirements during the leave. For example, if a police officer is on paid parental leave, the city will pay overtime to another officer to cover their shifts resulting in an actual cash outlay. If certain other employees are on paid parental leave, we would shift the workload and there would be only lost productivity costs associated with the parental leave.

It is important to note that not all paid leaves result in actual cash outlays by the city. Therefore, this cost projection is broken down into lost productivity costs and direct costs.

- Lost productivity costs may be absorbed by shifting workloads and do not result in a direct cash outlay by the city.
- Direct costs require cash outlay by the city; this will occur when the city incurs additional overtime wages payable to cover shifts during a paid parental leave.

Additional presumptions:

- An average of five employees will use parental paid leave per year
- Approximately half of parental leaves would result in overtime shifts
- Wage calculations based off the average of all employees

Given the constraints and acknowledging that making cost projections on this topic is difficult, it is reasonable to project that if the city offers a paid parental leave policy that allows for one week of paid parental leave for the birth of a child, adoption of a child or placement of foster children will have an annual cost of:

- \$7,500 in lost productivity costs
- \$5,600 in direct costs

Note that these costs are based on how many weeks the city offers by policy not per occurrence. The cost projection above would be reasonably accurate if five employees per year have qualifying events and take one week of parental leave each.

If the city offers more than one week of parental leave, multiply the cost projections above by the number of weeks offered under the policy.

Individual Impact

As part of this analysis I spoke confidentially with several employees who have recently been in situations where they have been eligible for FMLA due to the birth of a child. The circumstances between all of them varied greatly. Some employees wanted to take off the full 12 weeks allowed under FMLA and had sufficient sick/vacation leave balances to do so.

Other employees had to take unpaid time and/or cut their leave short of the full 12 weeks because they could not afford to continue on unpaid status. All were supportive of a paid parental leave policy. It was suggested that paid parental leave is a good benefit to help decrease individual stress, make returning to work easier (and more productive) and ultimately serve as a good recruiting and retention tool.

Advantages of a Paid Parental Leave policy to the city

There are many different arguments in favor of paid parental leave. This memo will only suggest that the city could be advantaged by adopting a paid parental leave during recruitment and for employee retention. Most of our employees have knowledge, skills and abilities that are marketable and desired by other employers in both the public and private sectors. Adopting a paid parental leave policy may give the city a competitive edge in recruitment and retention.

Younger employees and potential employees put a high premium on work/life balance and the tides are gradually changing to a point where employees are going to expect some sort of paid parental leave. There is no concise research on the value of paid parental leave programs, but the interest of other government organizations and the private sector should cause the city to take note.

Disadvantages of a Paid Parental Leave policy to the city

The city can expect that if we adopt a paid parental leave policy there will be some additional expense. As stated before, per week of leave offered by policy the city can expect it costs around \$5,600 annually. This cost would need to come from reducing other items in the budget or from increased revenues.

The indirect costs are projected at approximately \$7,500 per week of leave offered by policy. These costs could be absorbed and would not require reductions in other areas or new revenues. However, it should be noted that these indirect costs can result in additional workload for other employees or delay in accomplishment of an employees assigned tasks when they are out on leave.

Conclusion

The city currently offers some benefit over and above what is required by law and is as flexible as possible with employees. The city's current options for paid parental leave is similar to most governmental employers we may be competing for talent with. Anecdotally, we know that many local governments are considering paid parental leave but have not adopted a policy yet, while other local governments have adopted a policy – typically offering two to three weeks. We do seem to be lagging behind some of the bigger businesses in the region, which causes some concern regarding our ability to attract the best talent, particularly in those positions that can



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move easily between the private and public sectors. Information for smaller businesses in the area is difficult to find, so it is hard to know what paid parental leave options they may offer.

Ultimately, the question the council should consider is whether the benefits the city receives from offering paid parental leave is greater than the cost to offer paid parental leave. The benefits the city could reasonably expect to receive are a portion of the workforce that is less stressed about personal finances (and therefore more productive) and another tool to increase our position as an employer of choice in recruiting and retaining the best talent.