

September 15, 2015

The Honorable Larry Phillips  
Chair, King County Council  
Room 1200  
C O U R T H O U S E

Dear Councilmember Phillips:

In passing Motion 14348, the Council made an important statement about what kind of employer we want to be – namely, the kind of employer that supports our employees during one of the most important events in one’s life, the addition of a new family member. I applaud that statement and am pleased to share the attached report which begins to make the goal of Paid Parental Leave a reality.

Generous, socially-funded parental leave is the norm in most of the world. By contrast, in the United States, only 12% of employers offer any paid benefit at all, and when they do it is typically four to six weeks. That’s not enough. The research is clear – early childhood development matters. If we want the best starts for kids, we have got to start at the very beginning by supporting new parents. And there is no better place to start than leading by example.

At the same time, we must be responsible to our taxpayers. The County cannot add new employment benefits without being mindful about the total cost of compensation and staying within our limited budget. Paid Parental Leave is just one of many items on which we are working closely with our labor partners to ensure that we have a compensation package that is fair and also sustainable.

After extensive analysis and considering a variety of options, which you will see outlined in the report, I am recommending the County adopt a program that guarantees twelve weeks of 100% Paid Parental Leave. In order to do so in a fiscally responsible manner and in partnership with our Unions, I am recommending that we implement a pilot program for Paid Parental Leave to be launched as soon as practicably possible in 2016.

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In keeping with the County's adoption of Lean principles and tools, a pilot will allow us to test our assumptions about whether the program meets our objectives for a Paid Parental Leave program: is it compassionate toward our employees and their families; does it embody our principles of equity and social justice and treats employees fairly; and, perhaps most importantly, does it accomplish these goals while being fiscally feasible and sustainable.

This approach not only establishes King County as a leader on this issue, but also demonstrates that you can support families, do right by your employees, and be a good steward of public resources. I look forward to continuing this conversation and partnering with you to create a Paid Parental Leave program that we can be proud of.

It took approximately 100 hours of staff time and cost approximately \$7,500 to prepare this report.

If you have any questions concerning the attached report, please contact Nancy Buonanno Grennan, Director, Human Resources Division, at 206-477-3274.

Sincerely,

Dow Constantine  
King County Executive

Enclosure

cc: King County Councilmembers  
    ATTN: Carolyn Busch, Chief of Staff  
          Anne Noris, Clerk of the Council  
Carrie S. Cihak, Chief of Policy Development, King County Executive Office  
Dwight Dively, Director, Office of Performance, Strategy and Budget  
Caroline Whalen, County Administrative Officer, Department of Executive  
    Services (DES)  
Nancy Buonanno Grennan, Director, Human Resources Division (HRD), DES  
Denise R. Pruitt, Senior HR Policy Advisor, HRD, DES



# Paid Parental Leave & Paid Family Leave

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*A Report on the Costs and Benefits of Implementing and  
Providing a Paid Parental Leave program, in addition to  
Paid Family Leave, at King County*

PAID PARENTAL LEAVE & PAID FAMILY LEAVE:  
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September 15, 2015

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**EXECUTIVE SUMMARY**

On April 27, 2015, the King County Council passed Motion 14348, declaring that it is County policy to establish a Paid Family Leave program, including Paid Parental Leave, for King County employees and directing the Executive to report on the costs and benefits of implementing and providing a Paid Family Leave program (due September 15, 2015) and to develop and transmit a work plan for implementing a Paid Family Leave program (due October 15, 2015).

***Motion 14348 states that:***

- Paid Parental Leave should include, at least twelve weeks of 100% paid leave within a twelve-month period following the birth, adoption or foster placement of a child;
- Should begin January 1, 2016, barring exceptional burden; and
- Should provide flexible scheduling as reasonably needed by employees returning from Paid Parental Leave.
- Paid Family Leave is to provide paid leave for an employee's own serious health condition or the serious health condition of the employee's child, parent, spouse or domestic partner, or the child, parent of the spouse or domestic partner.

***The work plan and legislation due in October should:***

- Consider how Paid Parental Leave aligns with other leaves within the county;
- Comprise eligibility criteria; and
- Have a recommended means to pay for any additional costs associated with the parental leave policy, which may include:
  - using existing resources,
  - identified savings,
  - a payroll deduction,
  - another option or options, or
  - a combination thereof.

Additionally, Motion 14348 states that due to continued significant fiscal challenges, the Council will give strong consideration to meeting the costs of this new policy, program and benefit through means that do not increase the financial expense or burden to county government.

If the program cannot be implemented January 1, 2016 due to exceptional burden, the work plan should describe the burden and identify the date on which the Paid Parental Leave will be implemented. If the Executive recommends a Paid Parental Leave different than provided for in the motion, the work plan should describe the rationale for the recommendation, and the costs and benefits of the alternative option or options.

### ***Paid Parental Leave Recommendation***

The Executive recommends that King County provide Paid Parental Leave to ensure that all leave-eligible employees have the ability to take up to twelve weeks of paid leave to bond with a new child. This will ensure that the County remains competitive in the local job market, and will provide King County employees with financial support and job security at a critical time in their child's life. This paid leave will afford the best starts for County employees' kids and will provide a model for other employers in King County and across the state.

There are many different ways to provide employees with up to twelve weeks of financial security following the addition of a new child to their family. Options range from providing a supplement to employees' current leaves package to offering supplemental pay that is 100% employee-funded through mandated payroll deductions.

The County is scheduled to begin negotiations this October on a total compensation package with the Coalition of County Unions. Employee leave benefits are one of the matters at issue in these negotiations. To help continue to inform those negotiations and to ensure the assumptions related to the need for leave and that the costs outlined in this report are correct, the parties should explore implementing a pilot Paid Parental Leave program as soon as practicably possible. In determining the best option to pilot, the parties should keep the following interests in mind:

1. King County desires to provide its employees up to twelve weeks of financial security following the birth, adoption, or foster-to-adopt placement of a child;
2. A Paid Parental Leave benefit is a way to attract and retain the highest quality workforce;
3. Twelve weeks provides a child the best start in life because it permits parents to bond with their children during the crucial first stages of a child's life;;
4. King County should act as a model employer for other employers in the region;
5. All leave eligible employees should have equal access to any Paid Parental Leave benefit. This includes new employees with limited sick and vacation leave accruals; and
6. As Paid Parental Leave is a term of employee compensation within the terms of total compensation, any Paid Parental Leave benefit should be structured to fit within the County's ability to provide a sustainable, predictable compensation package.

One model for consideration that meets these criteria, would provide a supplement to existing paid sick leave, vacation leave, compensatory time and other forms of paid leave to ensure that an employee will receive the equivalent of the employee's salary for up to twelve weeks, while on a qualifying approved leave following a birth, adoption, or foster placement with the intent to adopt the child. Employees will have to exhaust all but one week of sick leave and one week of vacation leave prior to receiving the supplemental Paid Parental Leave.

The new Paid Parental Leave will take effect as soon as practicable as part of the new total compensation package entered into with the Coalition of Unions representing King County employees.

### ***Paid Family Leave Recommendation***

King County is committed to ensuring employees have paid time off when they or their close family members suffer a serious medical illness or injury. To that end, the County has a competitive paid sick and paid vacation leave package that employees currently use for family and personal medical leave. To

add additional employer-funded Paid Family Leave to the existing leaves package is cost prohibitive. More research is needed to understand if there is, in fact, a shortage of paid time off to reasonably address employee needs for medical leave. If research suggests additional leave offerings are advisable, then further study would be necessary to identify the means to best finance such leave to ensure it is both practicable and sustainable.

The full rationale for the recommendations, including all options that were considered prior to arriving at these recommendations and the estimated costs and benefits of each, follows.

## **OVERVIEW OF WHAT IS OCCURRING INTERNATIONALLY, NATIONALLY, AND LOCALLY**

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Under federal and state laws, employees are entitled to take up to twelve weeks of leave for the birth, adoption or foster placement of a child, or to care for themselves or a family member with a serious health condition. During that period, employees' jobs are protected, they receive health insurance benefits, and they may receive wages if they use existing paid leave accruals (*e.g.* sick leave, vacation leave, and compensatory time).<sup>1</sup> There is no requirement that employers provide paid leave.

The United States stands virtually alone in not mandating paid leave of any type for its workers. Paid Parental Leave is an employee benefit in nearly every country in the world. In 2014, the International Labor Organization reviewed maternity leave policies in 185 countries and territories and found that all except two (the U.S. and Papua New Guinea) have laws mandating Paid Parental Leave.<sup>2</sup> Most policies are funded via social insurance programs.

Seven small island nations in the South Pacific and the United States are the last nations without mandatory paid maternity leave. As the only industrialized nation without a national Paid Parental Leave program, childbirth and adoption can cause a significant financial – and emotional – toll on working parents. In the U.S., it is estimated that only 12% of employers currently voluntarily offer Paid Parental Leave. Most of them are in the three states that have publicly funded some level of Paid Family Leave (California, Rhode Island, and New Jersey). Among the 12% that offer Paid Parental Leave, the benefit is generally four to six weeks of paid leave, with a few outliers.

In May 2015, the City of Seattle began providing up to four weeks of Paid Parental Leave, effective six months after hire. Other than at the City of Seattle, Paid Parental Leave is currently not provided in other public jurisdictions in Washington.

With one exception, U.S. employers with the most generous Paid Parental Leave plans are all high-tech companies:

- Netflix – recently announced up to one year of unlimited leave for both parents. However, it only applies to salaried employees, so only 400-500 of the company's approximately 2,300 employees are eligible for the benefit.
- Google – eighteen weeks for birth mothers and twelve weeks for both parents. Fathers can receive eighteen weeks if they are the "primary caregiver."

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<sup>1</sup> King County has extended the period of job protected leave and health insurance coverage from twelve weeks to eighteen weeks. KCC §3.12.220.

<sup>2</sup> *Maternity and paternity at work: Law and practice across the world* (Geneva, May 2014), available at: [www.ilo.org/maternityprotection](http://www.ilo.org/maternityprotection).

- DLA Piper –sixteen weeks for both parents.
- Facebook –seventeen weeks for both parents.
- Reddit – sixteen weeks for both parents.
- Twitter – up to twenty weeks for birth mothers, and ten weeks for all other parents.
- Microsoft – as of November 2015, will expand its benefit to twelve weeks of paid leave for all parents; mothers can also get eight weeks of paid disability leave. Presently, employees receive four weeks paid and eight weeks unpaid.

In addition to Microsoft, a few large local private employers provide Paid Parental Leave<sup>3</sup>:

- Boeing – no Paid Parental Leave, but it provides short-term disability pay with 80% wage replacement, following a one-week waiting period. This short-term disability payment typically provides six to eight weeks of paid leave following pregnancy.
- Eddie Bauer – two weeks.
- Starbucks – does not provide Paid Parental Leave.

It is important to note that no two leave programs are alike, and thus just considering what other employers provide regarding Paid Parental Leave is not necessarily comparing apples to apples. For instance, many of the employers that are offering Paid Parental Leave do not have provisions for leave accumulations and carryover like the County does, which creates a financial liability at separation. Instead, many of those employers have Paid Time Off (PTO), which is a bucket of leave given at the beginning of the year usually with little or no carryover. Additionally, some employers fund Paid Parental Leave through paycheck withholding, or an insurance plan. Moreover, not all offer it to both parents and some only offer it to their higher-paid employees.

Paid Family Leave is rarely offered by employers. In the U.S., three states (California, Rhode Island, and New Jersey) offer Paid Family Leave for an employee’s own non-work related illness or injury, to care for a family member with a serious health condition, and for parental bonding. All three do so as an extension of their state temporary disability insurance programs, which are 100% employee-funded through mandated payroll deductions. These state programs provide from 55% to 66.67% wage replacement with capped maximum amounts indexed to statewide salary rates, for four to six weeks (Rhode Island provides four weeks; California and New Jersey provide six weeks).

Washington State adopted Paid Family Leave in 2007; however, it has yet to implement the program due to a lack of funding. At least eighteen states are currently considering passing new Paid Family Leave laws. Several states are reviewing expanding statewide insurance programs to include Paid Family Leave provisions.

## **BENEFITS OF PAID PARENTAL LEAVE**

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Implementing a Paid Parental Leave program can lead to many potential benefits for employees, employers, and society in general. These benefits include the following:

### ***Recruitment and Retention of Employees***

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<sup>3</sup> There may be others; however, we were unable to obtain details of their benefits packages.

Paid Parental Leave promotes a family-friendly environment that encourages healthy parent-child relationships, because it permits parents to bond with their children during the crucial first stages of a child's life. Offering a Paid Parental Leave will help attract and retain workers, especially workers in the millennial generation who are moving into prime child-bearing years and, in general, are looking for better integration between their work and family lives. Employers that act sooner, rather than later, on Paid Parental Leave will be better positioned to secure new talent and will be ahead administratively if and when paid leave is legislated at the state or federal level.

### ***Equity and Social Justice***

Paid leave supports the County's Equity and Social Justice guiding principles by reducing disparities in leave-taking between low and high socioeconomic groups. With paid leave, more people take time off, particularly those that are low income and either wouldn't have taken leave or would have dropped out of the workforce. California has reported that Paid Family Leave significantly increased maternity leaves among unmarried and nonwhite women, and women without a college degree. Maternity leaves rose 8% among high school graduates and 12% among African-American mothers. The increase was insignificant among white college-educated mothers.

The absence of universal paid leave represents a tremendous disadvantage for working women in America. Without paid leave, women are more likely to exit the workforce. If and when they re-enter, they may return to lower-paying jobs or no jobs at all. Research indicates that when mothers have access to paid maternity leave, their wages increase as much as 9%.<sup>4</sup>

Many believe that lower participation of women in the workforce is a result of the lack of paid leave. Economists estimate that women's labor force participation is lower for 25-54 year-olds due to the lack of universal paid leave. A comparative study of twenty-two countries found that the U.S. fell from the sixth-highest in labor force participation for women in 1990 to seventeenth by 2010.<sup>5</sup>

Two-thirds of developed countries – including those with some of the most progressive family benefits – don't offer paid leave for fathers. The remaining countries offer either a shorter leave or don't encourage men to take advantage of the existing policies. This has led to negative long-run impacts on women's positions in the labor market. But by having both men and women take parental leave, it allows both parents the chance to be caregivers, and women are less likely to be penalized for doing so.

### ***Makes King County a Local and National Leader***

Implementing Paid Parental Leave would set a positive example for other government agencies, as well as companies doing business in and around King County.

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<sup>4</sup> *LA Times* <http://www.latimes.com/opinion/editorials/la-ed-navy-maternity-leave-20150729-story.html>

<sup>5</sup> *The New Republic*, July 23, 2015, <http://www.newrepublic.com/article/122348/how-do-you-make-sure-generous-paid-leave-doesnt-backfire-women>

## OPTIONS CONSIDERED

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### *Paid Parental Leave Options*

The amount of Paid Parental Leave studied ranged from four to twelve weeks of supplemental leave. A variety of funding options were contemplated. Further detail on each option that was considered is outlined below.

The estimated costs detailed in the chart below have certain assumptions. Specifically, the estimated costs:

- are for an estimated 241 employees, which was determined using federal data on expected birth rates for the King County employee population, and confirmed by looking at the number of actual dependents added to employee benefits over the last three years;
- assume that employees are eligible for the benefit after six months of employment<sup>6</sup>;
- assume a 1.0 backfill for all, knowing that certain employees may not need to be backfilled and others will need to be backfilled at 1.5 times their normal rate of pay;
- do not include lost revenue from employees being off work, for instance, public health clinic staff and road crew staff;
- do not include the costs of the system creation and implementation by central and agency staff (*e.g.*, programming the systems; creating the new leave buckets; creating new time codes; training leave administrators and HR professionals; and changing policies); and
- do not factor in the costs of coverage for foster care, because it is difficult to estimate how many employees are foster parents.

Therefore, the actual annual costs will likely be higher than those estimated below.

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<sup>6</sup> If we provide the benefit from day-one, it would add approximately \$200,000 to the cost of each plan.

	Employee Benefit	Est. Annual Cost	Pros	Cons
A.	Four weeks of additional paid leave fully funded by the County.	\$1.5M	<ul style="list-style-type: none"> <li>• Cost.</li> <li>• Easy to administer.</li> <li>• Easy for employees to understand.</li> </ul>	<ul style="list-style-type: none"> <li>• Newer employees and employees with low leave banks would have a shorter leave than more tenured employees.</li> </ul>
B.	Six weeks of additional paid leave fully funded by the County.	\$2.25M	<ul style="list-style-type: none"> <li>• Cost.</li> <li>• Easy to administer.</li> <li>• Easy for employees to understand.</li> </ul>	<ul style="list-style-type: none"> <li>• Newer employees &amp; employees with low leave banks would have a shorter leave than more tenured employees.</li> </ul>
C.	Eight weeks of additional paid leave fully funded by the County.	\$3.0M	<ul style="list-style-type: none"> <li>• Easy to administer.</li> <li>• Easy for employees to understand.</li> </ul>	<ul style="list-style-type: none"> <li>• Cost.</li> </ul>
D.	Twelve weeks of additional paid leave fully funded by the County.	\$4.5M	<ul style="list-style-type: none"> <li>• Easy to administer.</li> <li>• Easy for employees to understand.</li> </ul>	<ul style="list-style-type: none"> <li>• Cost.</li> </ul>
E.	<p>Guarantee twelve weeks of paid leave, but employee must first exhaust most of his/her existing paid leave prior to receiving supplemental paid leave.</p> <ul style="list-style-type: none"> <li>• Employee would be permitted to maintain one week of sick leave and one week of vacation leave.</li> <li>• County would provide compensation to supplement the accrued leave to ensure that the employee will receive the equivalent of the employee's salary for up to twelve weeks.</li> </ul>	\$2.7M	<ul style="list-style-type: none"> <li>• Cost.</li> <li>• Allows employees to return with leave balances, while lowering the County's fiscal liability upon separation.</li> <li>• Has a strong ESJ component, while still saving the County money.</li> <li>• Addresses new employees' lack of leave.</li> <li>• Easy to administer.</li> <li>• Easy for employees to understand.</li> <li>• Ensures employee will be afforded optimal bonding time.</li> </ul>	<ul style="list-style-type: none"> <li>• Potential for abuse – some employees may use their leave ahead of time, to obtain a larger benefit. (However, this would likely be a small percentage of employees. And even if this occurs, it will still cost less than providing a new leave bucket).</li> <li>• May be viewed as less of a benefit for long-term employees.</li> </ul>
F.	<p>Same as E (above), but the difference between the employee's accruals and twelve weeks is a loan of future leave.</p> <ul style="list-style-type: none"> <li>• It would be paid back at 50% of the employee's future accruals after the employee returns to work.</li> <li>• <i>E.g.</i>, an employee accrues eight hours of</li> </ul>	\$0-1.4M	<ul style="list-style-type: none"> <li>• Least expensive option (in a perfect world, there would be no cost to the County; however, this would require that all employees return to work and stay long enough to pay the loan back).</li> <li>• The \$1.4M assumes only 50% of the</li> </ul>	<ul style="list-style-type: none"> <li>• Adds a level of administrative complexity that likely doesn't offset the savings.</li> <li>• It could take years for people to "pay back" their loans.</li> <li>• Mixed ESJ component – a low hourly rate correlates with a low leave bank,</li> </ul>

	sick leave per month; however, following the parental leave, four hours would go into the employee's leave back and four hours would go towards paying back the loan until it is paid in full.		loans are paid back.	which means they have a greater need for the loan; however, they will have to go longer with diminished leave accruals to pay it back.
G.	<p>Purchasing an insurance plan (similar to Worker's Compensation) to provide a percentage of wage replacement for twelve weeks.</p> <ul style="list-style-type: none"> <li>• Typically not 100% wage replacement; this is costed at 60%.</li> <li>• 100% wage replacement would cost the same as providing an additional twelve-week leave (\$4.5M), but with added administrative costs; therefore, there is no value in doing this.</li> <li>• If we provide less than 100%, we could allow employees to supplement with leave accruals, which is of no extra cost to the County.</li> </ul>	\$2.6M	<ul style="list-style-type: none"> <li>• Cost.</li> </ul>	<ul style="list-style-type: none"> <li>• The same cost as plan E above, but much more complicated to administer.</li> <li>• Partial wage replacement may have a disproportionate impact on lower income employees and discourage them from taking the leave.</li> </ul>
H.	<p>Twelve weeks of leave with staggered wage replacement provided by the County.</p> <ul style="list-style-type: none"> <li>• Month 1 = 100% wage replacement;</li> <li>• Month 2 = 75% wage replacement;</li> <li>• Month 3 = 50% wage replacement.</li> <li>• The difference could be supplemented with leave accruals.</li> </ul>	\$3.2M	<ul style="list-style-type: none"> <li>• Less expensive than twelve weeks at 100% wage replacement.</li> <li>• Recognizes that employees have significant leave accruals to supplement.</li> <li>• Provides a disincentive to exhaust leave banks prior to taking Paid Parental Leave.</li> <li>• Enables newer employees to be able to take at least some paid leave.</li> </ul>	<ul style="list-style-type: none"> <li>• Cost.</li> <li>• May have negative ESJ consequences, as those making less or who have lower leave accruals may be less likely to take the full twelve weeks.</li> <li>• This would require very intensive timekeeping.</li> <li>• It would be easier to administer if we did a straight % across the board (75%), but this doesn't address the problem we have with new employees not having adequate leave.</li> </ul>

## ***Paid Family Leave Options***

Paid Family Leave would be paid leave for an employee's own serious health condition or the serious health condition of the employee's child, parent, spouse or domestic partner, or the child, parent of the spouse or domestic partner. A comprehensive Paid Family Leave plan impacts a considerably larger portion of the workforce than Paid Parental Leave. Employees likely to use Paid Parental Leave make up less than 2% (or 241 employees) of the workforce in any given year. Paid Family Leave could potentially encompass 100% of the County's roughly 14,000 employees.

Both twelve and sixteen weeks of fully-funded Paid Family Leave were considered. To estimate the cost of providing Paid Family Leave, Family Medical Leave (FMLA) usage for 2014 was used as a proxy for probable Paid Family Leave usage. It should be noted that it is believed that FMLA usage is currently underreported based on this evaluation.

- The estimated cost of twelve weeks based on 2014 FMLA usage is \$27,000,000 – \$56,500,000.
- The estimated cost of sixteen weeks based on 2014 FMLA usage is \$35,900,000 – \$75,150,000.

Not all employees currently use the full twelve weeks of leave provided under FMLA. It is expected that usage will increase if it is a paid benefit, and people will be more likely to use the full benefit.

- If all twelve weeks were used based on 2014 FMLA usage, the estimated cost would be \$87,500,000.
- If all sixteen weeks were used based on 2014 FMLA usage, the estimated cost would be \$116,300,000.

Because it is believed that usage is underreported, actual costs would likely be higher.

### **ADDITIONAL COST CONSIDERATIONS**

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#### ***Our workforce is changing***

- Retirements are on the increase with a projected loss of 16.2% (or 2,131 employees) of our overall regular workforce by 2018 just to retirements alone. If we add anticipated regular turnover, we are looking at turning-over approximately 46% of our workforce (or 6,141 employees) by the year 2018.
- The above projected usage for Paid Parental Leave is less than 2% (or 241 employees) of the County's workforce.
- As our workforce demographics shift, we estimate that there will be a growing number of employees having children, thus increasing the costs outlined above.

#### ***Our funding is constrained***

- While efforts in recent years have narrowed the County's structural budget gaps, several funds have continuing financial problems. The Public Health Fund is facing continuing deficits due to structural flat or reduced state and federal funding. The General Fund's structural revenue limitations generate gaps of \$30,000,000 to \$40,000,000 each biennium. The Roads Fund has only about one-third of the revenue it needs to maintain the system. Added costs for these funds will likely lead to service and staffing reductions.

- This means that the County cannot add new employment benefit options without keeping in mind the total cost of compensation and staying within our limited budget.

### ***Foster Care***

- Other jurisdictions have reported that including foster care as part of a Paid Parental Leave program has been somewhat problematic from a cost and administration perspective. This is due to the unknown quantity of usage and the frequency with which people can have foster children placed in their homes.

## **FURTHER CONSIDERATIONS – TOTAL COMPENSATION BARGAINING**

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King County's workforce is 83% represented by labor organizations and the County has worked hard to maintain an equitable benefits package throughout the entire workforce. Benefits are a mandatory subject of bargaining. Therefore, new leave benefits need to be negotiated with the County's unions before they can be implemented. Ideally, a new leave benefit should be bargained within the context of the entire leaves package, to ensure that it is sustainable and properly included as an element of total compensation.

As part of the Total Compensation agreement that the Council approved last fall, the County is currently in the early stages of preparing to bargain all terms of compensation with most of the County's unions. The goal is to bargain predictable and sustainable total compensation for our employees to take effect on January 1, 2017. Total compensation includes wages, all leaves, medical and health benefits, and other rewards.

Work is already underway to assess all current leaves to determine how we might restructure our leaves package to better meet the needs of our employees throughout their lifecycle, make it easier for our employees to understand and ease administration burdens. In doing so, it will be important to understand the pros and cons of combining or maintaining separate leave buckets.

The parties can and should explore options to pilot a form of Paid Parental Leave to test whether the assumptions outlined in this report, such the numbers of employees needing such leave and the associated costs, are correct. Lessons from the pilot can then be used to inform the bargaining set to commence this fall.

## **KING COUNTY'S CURRENT LEAVES PACKAGE**

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With a leave package that includes twenty-three different types of leave, County employees currently have a range of leave opportunities available to them. In 2011, the County asked our benefits consultant, Mercer, to conduct a study of the value of the benefits King County provides to its employees. The study compared the King County benefits package to other local governments, as well as the private sector. The study found that the County's benefits package is more competitive than the private sector. It is comparable to other local governments, although there are differences depending on the type of benefit. King County was above the median in paid time off for both sick and vacation leave for more tenured employees.

The current leaves plan is structured so that it provides wage replacement during significant life events and serious illness. Unlike most employers, King County employees are permitted to carryover 480 hours (twelve weeks) of vacation leave from year-to-year, and to accrue and carryover an unlimited amount of sick leave. Employees accrue twelve sick days per year. Additionally, it is the County’s policy that employees are paid out the value of their vacation leave and compensatory time upon separation, and are paid out 35% of the value of accrued sick leave upon death or retirement. The County’s total liability for accrued paid leave subject to cash out at the end of 2014 was \$170,000,000. The current liability, or the amount estimated to be payable within one year is \$15,000,000.

When examining the average year-end vacation and sick leave balances per capita from 2012-2014, we see that leave balances are very stable across the years and that on average employees have large accruals. In fact, combined, the two leave (sick and vacation) accruals average nearly 480 hours (twelve weeks) of paid leave that is carried over each year.

**Average Year-End Leave Balances (in hours)**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Sick leave balance</b>	291	286	287
<b>Vacation leave balance</b>	173	172	173
<b>Totals</b>	<b>464</b>	<b>458</b>	<b>460</b>

These high carry-over balances are not due to employees not taking leave. On average, approximately 80% of the sick leave that is earned is taken each year. Additionally, employees are taking (or cashing out) approximately 172 hours (more than four and a half weeks) of vacation each year.

**Average Annual Leave Taken or Cashed Out (in hours)**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Sick leave usage</b>	75.87	75.09	77.66
<b>Vacation leave usage</b>	172.09	171.11	176.72
<b>Totals</b>	<b>247.96</b>	<b>246.20</b>	<b>254.38</b>

Furthermore, even with the County’s unusually high carryover allowance of 480 hours (twelve weeks) of vacation time, approximately 10,000 hours were deleted in 2014 because employees exceeded the 480-hour limit.

Despite our competitive leaves package, it takes time to accrue leave; therefore, the total compensation bargaining team will consider potentially restructuring the leaves package to provide more leave on the front-end of employment and perhaps less liability for the County at the end of employment.

**PAID PARENTAL LEAVE RECOMMENDATION**

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The Executive is committed to providing all employees twelve weeks of Paid Parental Leave. However, as with all employee benefits, it is necessary to balance what is fair to the public the County serves, with what is fair to the employees who provide that service. When determining how to achieve this and thus which plan to pursue, all plans were evaluated with the following five objectives in mind.

The recommended plan should:

1. be fiscally feasible and sustainable;
2. address Equity and Social Justice impacts and concerns;
3. protect new employees;
4. be easy to administer; and
5. be easy for employees to understand.

The option that best met all of these objectives is *Option E*, which guarantees twelve weeks of 100% Paid Parental Leave, but requires that employees must first exhaust all but two weeks of their existing paid leave accruals before receiving supplemental compensation. Employees will have to exhaust all but one week of sick leave and one week of vacation leave, after which the County will provide compensation to supplement the accrued leave. The supplemental leave will ensure that employees receive the equivalent of their salary for up to twelve weeks while on qualifying approved leave following the birth, adoption, or foster-to-adopt<sup>7</sup> placement of a child. This option is based upon the model adopted by the City and County of San Francisco. It is acknowledged that other options, such as an employee-financed option, would meet these criteria as well.

Offering less supplemental leave up front doesn't preclude the County from increasing the benefit at a later date. Because the County's leaves package includes significant accumulations and carryover, research should be done to evaluate if utilization patterns indicate a shortage of paid time off for new parents to determine if additional supplemental Paid Parental Leave is warranted.

Motion 14348 requests that the Executive submit a work plan and legislation October 15, 2015 for a January 1, 2016 effective date. However, the current "Total Compensation" coalition MOA states, "all other compensation elements ("wages, premiums, incentives, and other monetary payments; and all forms of leave and benefits") of current CBAs are "rolled over" and neither increased nor decreased through 2016..." Therefore, the Executive recommends addressing Paid Parental Leave through a pilot project in 2016 so that elements of the program can inform negotiations of the Total Compensation Memorandum of Agreement to take effect January 1, 2017. Partnering with the Unions participating in the Total Compensation negotiations to pilot this option would allow the County to test the assumptions of the program costs. Any participating agency would need to absorb the additional costs within existing budgets in 2016. A Paid Parental Leave benefit beyond 2016 would need to be bargained in the Total Compensation framework and would have a specific focus on restructuring the current leave system.

The Executive agrees that the County should strive to offer flexible working arrangements for employees returning from Paid Parental Leave, whenever possible. Flexibility increases productivity, helps recruit talented employees, lowers worker turnover and replacement costs, reduces absenteeism and improves job satisfaction.

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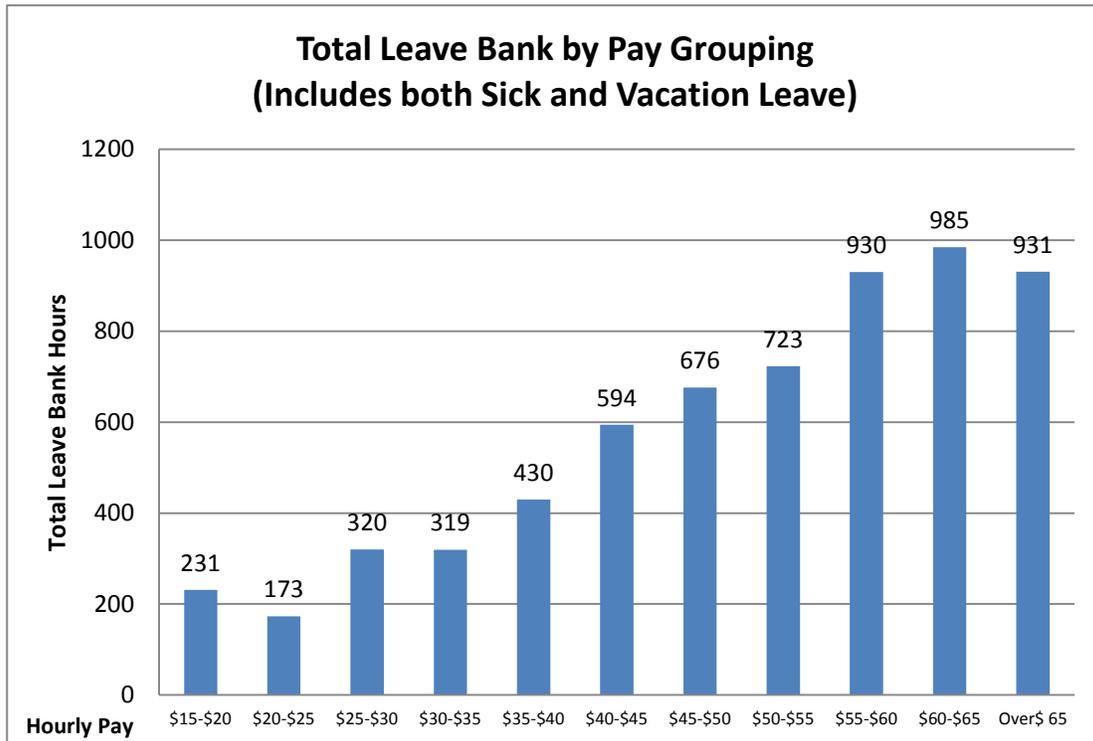
<sup>7</sup> It is recommended that Paid Parental Leave be limited to foster-to-adopt situations. Foster care is intended to be a short-term solution until the child can be reunited with his or her family or a permanent placement can be made (adoption). Foster-to-adopt is a form of adoption in which a child is placed into a home as a foster child, with the expectation that the child will become legally free and be adopted by the foster parent(s).

***Fiscally feasible and sustainable***

Motion 14348 states that it will give strong consideration to meeting the costs of this new benefit through means that do not increase the financial expense or burden to County government. Although *Option E* is not cost neutral, it is the least expensive plan that allows the County to provide all employees twelve weeks of Paid Parental Leave while receiving their full salary. Additionally, by requiring employees to first exhaust all but two weeks of existing paid vacation and sick leave, it reduces the County’s future financial liability.

***Addresses Equity and Social Justice***

When comparing the total leave banks (sick and vacation combined) of employees at King County by their hourly pay, it is clear that a lower hourly pay rate correlates with a low leave bank, even after accounting for tenure. Therefore, this plan would more greatly benefit those who need it most and for whom wage replacement costs the least. See the graph below.



***Protects new employees***

New employees start their tenure at King County with zero leave and low accrual rates. *Option E* addresses the lack of paid leave issue for new employees who need and/or want to take parental leave.

***Easy to administer***

According to central support staff and agency leave practitioners, *Option E* will be the easiest program to set up and administer. The supplemental leave can be set up similar to Executive Leave.

### ***Easy for employees to understand***

*Option E* is straightforward and easy for employees to understand.

### **PAID FAMILY LEAVE RECOMMENDATION**

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More research is needed on Paid Family Leave. The County provides a competitive leaves package for employees to use when they are ill or need time off to care for a seriously ill or injured family member. More research is needed to understand if employees are not able to reasonably address their family needs under the existing leaves package. Under the County's current leave plan, it takes years of service to accrue leave; therefore, additional study will be done regarding employees' current needs, and ways to address those in the future. Because of the significant cost and additional analysis required, adding Paid Family Leave is not recommended at this time.

It is important to note that there is movement to address Paid Family Leave at both the state and national level. Washington State passed a law in 2007 to provide Paid Parental Leave, but it has not been implemented due to a lack of funding. However, updated and more generous bills were introduced in the 2015 legislative session. The new bill included Paid Family Leave; however, the legislature did not act on this bill during the 2015 legislative session. Eighteen states considered Paid Family Leave bills this year, but paying for such programs remains a challenge.

Lastly, the federal Family and Medical Insurance Leave Act (HR 1439) – a proposal for paid family and medical leave – would provide up to twelve weeks of paid leave each year to qualifying workers for the birth or adoption of a child, the serious illness of an immediate family member or a worker's own medical condition. While it is unclear if this legislation will pass in the current Congress, the Obama Administration is clearly in favor of some type of Paid Family Leave program for families.