



# MEMORANDUM

Date: May 1, 2023

To: Assembly Finance Committee

Thru: Duncan Rorie Watt  
City Manager

From: Dallas Hargrave   
Human Resources & Risk Management Director

Re: Paid Parental Leave Proposal

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Over the last year, the City and Borough of Juneau (CBJ) has experienced unprecedented recruitment and retention issues. We are not alone. Employers across the city, state and nation are facing similar challenges with a “tight” labor market that generally has more open jobs than applicants willing to take the jobs. Recently, the CBJ has implemented a sign-on bonus program, a new online recruitment system, and we are in the process of implementing an employer contribution to a dependent care flexible spending account and an employer matching contribution to the 457 deferred compensation plan. However, with recent implementation of paid parental leave programs in other Alaska municipalities, some Assembly members have requested that we also put forward a proposal for paid parental leave at the CBJ.

## Paid Parental Leave

Under the Family Medical Leave Act (FMLA) and the Alaska Family Leave Act (AFLA), employees are entitled to take up to twelve weeks (FMLA) or eighteen weeks (AFLA) 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 personal leave accruals. There is no requirement that employers provide paid leave. Around 30 years ago, CBJ ceased providing employees with a separate medical leave benefit, folding that program into personal leave.

As the only industrialized nation without a national paid parental leave program, childbirth and adoption can have a significant financial impact on working parents. Although paid parental leave is highly desired by workers, it is not extremely common. The most recent employee benefits survey from the Society for Human Resource Management (SHRM), for example, found that 33 percent of employers offered their employees some paid parental leave in 2022. That number is down from the 39 percent that offered the time in 2020. Paid leave for adoption or foster care is even less common: 28 percent of employers offered adoption leave in 2022, while just 22 percent offered leave for foster care.<sup>1</sup>

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<sup>1</sup> <https://www.shrm.org/hr-today/trends-and-forecasting/research-and-surveys/Pages/Leave.aspx>

In March 2023, the Municipality of Anchorage and the City of Soldotna implemented paid parental leave policies, granting a benefit of four and six paid weeks (respectively) of 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 always “comparing apples to apples.” A review of parental leave benefits provided by municipal employers across the United States indicates that there is not a standard approach from which to compare this benefit.<sup>2</sup>

### **Benefits of a Paid Parental Leave Benefit**

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:** 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 paid parental leave will help attract and retain workers, especially workers in newer generations who are moving into prime child-bearing years and are looking for better integration between their work and family lives.

**Equity and Social Justice:** Paid parental leave can reduce 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. Additionally, the absence of paid parental leave presents a disadvantage for working women. 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>3</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>4</sup> By providing the opportunity for both parents to take parental leave regardless of gender, it allows both parents the chance to be caregivers, and women are less likely to have their career stalled for doing so.

**Furtheres the CBJ as a leading municipal employer in Alaska:** Implementing a paid parental leave benefit would set a positive example for other government agencies, as well as companies doing business in Juneau and Alaska, and set CBJ apart from most other municipal employers in Alaska.

### **Implementation of a Paid Parental Leave Benefit at CBJ**

Paid time off for parental leave should create a separate leave bank for FMLA-qualifying birth, adoption, or placement of a child. The leave bank would not have a cash value, but would provide up to six weeks of paid time off to supplement an employee’s regular personal leave they have accrued. We recommend that the CBJ paid parental leave policy contain the following components:

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<sup>2</sup> <https://nationalpartnership.org/resource/paid-family-leave-policies-for-municipal-employees/>

<sup>3</sup> *LA Times* <http://www.latimes.com/opinion/editorials/la-ed-navy-maternity-leave-20150729-story.html>

<sup>4</sup> *The New Republic*, July 23, 2015, <http://www.newrepublic.com/article/122348/how-do-you-make-sure-generous-paid-leave-doesnt-backfire-women>

1. Establish a leave amount of six weeks for a qualifying parental leave event;
2. Allow the value of the leave to be the employee’s regular rate of pay;
3. Specify that the ability to qualify for paid parental leave shall coincide with FMLA/AFLA qualification; and
4. Specify that the leave has no cash value and that the benefit runs concurrently with FMLA and AFLA entitlements.

Although it is anticipated that the paid parental leave policy shall be implemented through a change to the CBJ Personnel Rules and a Manager’s policy that would apply to all qualifying employees, CBJ management will share drafts and seek input from union bargaining unit representatives.

It is difficult to estimate the total costs of implementing a paid parental leave benefit because there will likely be costs associated with the leave or back-filling for some work while an employee is on leave. However, there will likely also be cost savings associated with reduced turnover of employees who are more likely to stay in a position because of the ability to take this new leave.

Est. # of eligible employees	Ave. cost of 6 weeks of leave (including 30% benefit estimate)	Estimated annual cost of leave	Estimated cost of backfilling position while on leave	Total estimated annual cost to implement paid parental leave program
18	\$13,000	\$234,000	\$175,500	\$409,500

This cost estimate is based on the following assumptions:

- An average annual number of babies born of 12 per year, approximately 25% of which have typically been born to parents who are both a CBJ employee. Adoption and foster care is difficult to estimate, so this estimate includes 3 eligible employees per year.
- The average cost of 6 weeks of leave considered both the average wage for a CBJ employee and the average workweek, considering that different employees work different workweeks, depending on the job.
- The estimated cost of backfilling the position assumed an overtime rate of pay for all the hours of leave taken for 50% of the eligible employees. It was assumed that the other 50% of eligible employees would have their work covered by coworkers or delayed with no additional overtime costs for backfill.

It is anticipated that if the paid parental leave program is implemented, the costs will likely go up over time as the demographics of our workforce shift as more employees who are eligible for this leave are likely to choose to become and remain a CBJ employee because of this benefit. Approximately 75%, or \$307,125, of the total cost estimated would be covered by general funds, with the remainder funded by internal service and enterprise departments.

Recommended Action

If the Assembly wants to pursue implementation of a parental leave benefit, CBJ leadership requests that the Assembly Finance Committee direct staff to develop proposed changes to the CBJ Personnel Rules to implement a paid parental leave benefit as presented. With the changes to the CBJ Personnel Rules, CBJ leadership will either present a plan to implement the paid parental leave benefit in FY24 under the yet to be approved FY24 budget or seek future supplemental spending authority.