Montgomery County Council

Committee: Joint GO/HHS
Committee Review: At a future date
Staff: Christine Wellons, Senior Legislative Attorney
Purpose: To receive testimony – no vote expected
Keywords: #ParentalLeave

AGENDA ITEM #2
July 12, 2022
Public Hearing

SUBJECT

Bill 10-22, Personnel and Human Resources – Paid Parental Leave

Lead Sponsor: Councilmember Friedson

Co-Sponsors: Councilmember Hucker, Council President Albornoz, Councilmembers Katz and Navarro, Council Vice-President Glass, and Councilmembers Rice, Riemer, and Jawando

EXPECTED ATTENDEES

Members of the public

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- To receive testimony, no vote expected

DESCRIPTION/ISSUE

Council Bill 10-22 would

(1) require the County to provide paid parental leave to County employees prior to the effective date of the State Family and Medical Leave Insurance Program;
(2) require the County to pay an employee's salary, minus benefits under the State Family and Medical Leave Insurance Program, for certain leave taken under the State Family and Medical Leave Insurance Program; and
(3) generally amend personnel and human resources laws affecting County employees.

SUMMARY OF KEY DISCUSSION POINTS

- N/A

This report contains:

Agenda Item #2
July 12, 2022
Public Hearing

M E M O R A N D U M

July 7, 2022

TO: County Council

FROM: Christine Wellons, Senior Legislative Attorney

SUBJECT: Bill 10-22, Personnel and Human Resources – Paid Parental Leave

PURPOSE: Public Hearing – to receive testimony

Bill 10-22, Personnel and Human Resources – Paid Parental Leave, sponsored by Lead Sponsor Councilmember Friedson and Co-Sponsors Councilmember Hucker, Council President Albornoz, Councilmembers Katz and Navarro, Council Vice-President Glass, and Councilmembers Rice, Riemer, and Jawando, was introduced on June 14, 2022. A public hearing is scheduled for July 12, 2022. A joint Government Operations & Fiscal Policy (GO) and Health & Human Services (HHS) Committee worksession is scheduled for July 14, 2022.[1]

The bill would:

(1) require the County to provide paid parental leave to County employees prior to the effective date of the State Family and Medical Leave Insurance Program;
(2) require the County to pay an employee's salary, minus benefits under the State Family and Medical Leave Insurance Program, for certain leave taken under the State Family and Medical Leave Insurance Program; and
(3) generally amend personnel and human resources laws affecting County employees.

BACKGROUND

The purpose of Bill 10-22 is to provide paid parental leave to County employees and to supplement the State's Family and Medical Leave Insurance (FAMLI) program for County employees. The State FAMLI program will be established through Chapter 48 of the 2022 Laws of Maryland. Currently, County personnel regulations allow a County employee to use up to 720 hours (within a 24 month period) of certain other types of paid or unpaid leave (*e.g.*, sick leave or annual leave) as "parental leave" to care for a newborn, newly adopted child, or newly placed foster child.

Under Bill 10-22, there would be a new category of paid parental leave for County employees. The leave would consist of 240 paid hours of parental leave. This leave could be used *in addition to* other accumulated leave; it would not count against the employee's sick, annual or personal leave. Once the State's new FAMLI program becomes operational in 2025, County employees would

[1] #SecurityCameras #SecurityIncentives

continue to receive 240 hours of fully paid parental leave; the employee's leave would be paid in part by the FAMLI program. The remainder of the salary would be paid by the County. In effect, the County would be supplementing the State FAMLI program to ensure that a County employee receives 240 of fully paid parental leave during a 12-month period.

BILL SPECIFICS

Bill 10-22 would establish two different paid parental leave systems depending upon the status of the state law: one system for the time period before the State's FAMLI program becomes operational in 2025, and a different system for the time period after the State's FAMLI program becomes operational.

Prior to the State's FAMLI program, the bill would require the County to provide up to 240 paid hours of parental leave (within a 12 month period) to care for a newborn, newly adopted child, or newly placed foster child. This parental leave would run concurrently with federal FMLA leave, but it would not count against any other employee leave (*e.g*., sick or annual leave).

Once the FAMLI program becomes operational on January 1, 2025, a new set of County provisions would take effect under the bill, in order to coordinate the County and State leave programs. A County employee would continue to receive 240 hours of fully paid parental leave within a 12-month period, but the County would pay the portion of the employee's salary that is not covered by FAMLI payments.

The chart attached at ©6 illustrates *parental leave* requirements under: (1) the current County law; (2) Bill 10-22 before the State FAMLI program comes online; and (3) Bill 10-22 after the State FAMLI program comes online.

Under Bill 10-22, the paid parental leave requirement "must not be construed to diminish any employee leave required by a collective bargaining agreement".

POTENTIAL AMENDMENT BY COUNCILMEMBER NAVARRO REGARDING STILLBORN CHILDREN

Councilmember Navarro has indicated an intent to introduce the following amendment, which is supported by Councilmember Friedson:

Amend lines 10-16 as follows.

(b) *Paid parental leave – required.*

(1) The County must provide paid parental leave under this Section to a part-time or full-time County employee who:

(A) has been in a County merit system position for at least 6 consecutive months; and

(B) is the parent of a newborn child, a stillborn child, a newly adopted child, or a newly placed foster child.

Amend lines 23-25 as follows.

(3) The paid parental leave under this Section must be used within 12 months of the birth or stillbirth of the child, the adoption of the child, or the placement of the child in foster care.

Amend lines 55-58 as follows.

Parental FAMLI leave means FAMLI leave, taken by an employee who is a parent, to care for a newborn child, a newly adopted child, or a newly placed foster child within 12 months of the child's birth, adoption, or placement. *Parental FAMLI leave* includes FAMLI leave taken by an employee who is the parent of a stillborn child within 12 months of the stillbirth.

This packet contains:

Bill No. 10-22
Concerning: Personnel and Human Resources – Paid Parental Leave
Revised: 5/18/2022 Draft No. 1
Introduced: June 14, 2022
Expires: December 23, 2022
Enacted: ________
Executive: ________
Effective: ________
Sunset Date: ________
Ch. _____, Laws of Mont. Co. ________

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsor: Councilmember Friedson
Co-Sponsors: Councilmember Hucker, Council President Albornoz, Councilmembers Navarro and Katz, Council Vice-President Glass, and Councilmembers Rice, Riemer, and Jawando

AN ACT to:
(1) require the County to provide paid parental leave to County employees prior to the effective date of the State Family and Medical Leave Insurance Program;
(2) require the County to pay an employee's salary, minus benefits under the State Family and Medical Leave Insurance Program, for certain leave taken under the State Family and Medical Leave Insurance Program; and
(3) generally amend personnel and human resources laws affecting County employees.

By amending
Montgomery County Code
Chapter 33, Personnel and Human Resources
Sections 33-27 and 33-28

Boldface	*Heading or defined term.*
Underlining	*Added to existing law by original bill.*
[Single boldface brackets**]**	*Deleted from existing law by original bill.*
Double underlining	*Added by amendment.*
[[Double boldface brackets**]]**	*Deleted from existing law or the bill by amendment.*
* * *	*Existing law unaffected by bill.*

The County Council for Montgomery County, Maryland approves the following Act:

Sec. 1. Sections 33-27 and 33-28 are amended as follows:

33-27. Paid Parental Leave – Prior to Commencement of the State Family and Medical Leave Insurance Program.

(a) *Definitions*. For purposes of this Section, the following words have the meanings indicated.

FMLA leave means employee leave under the federal Family and Medical Leave Act, 29 U.S.C § 2601 *et seq*., as amended.

Parent means a biological parent, an adoptive parent, or a foster parent. *Parent* includes the spouse or domestic partner of a parent.

(b) *Paid parental leave – required*.

(1) The County must provide paid parental leave under this Section to a part-time or full-time County employee who:

(A) has been in a County merit system position for at least 6 consecutive months; and

(B) is the parent of a newborn child, a newly adopted child, or a newly placed foster child.

(2) The paid parental leave under this Section must consist of up to:

(A) 240 hours within a 12-month period, for an employee scheduled to work 40 hours per week; or

(B) a prorated amount within a 12-month period, for an employee scheduled to work more or less than 40 hours a week.

(3) The paid parental leave under this Section must be used within 12 months of the birth of the child, the adoption of the child, or the placement of the child in foster care.

(c) *Continuance of salary and benefits*.

(1) The County must continue to pay an employee on parental leave under this Section the full salary of the employee.

(2) An employee on parental leave under this Section must continue to receive employee insurance benefits.

(3) An employee on parental leave under this Section must continue to receive retirement credit under the Employees' Retirement System in Article III or the Retirement Savings Plan in Article VIII, as applicable.

(d) *Relationship to other employee leave*.

(1) Except as provided in paragraph (2) of this subsection, parental leave taken under this Section must not count against any other type of leave of the employee.

(2) Parental leave taken under this Section must run concurrently with any FMLA leave of the employee.

(e) *Collective bargaining*. This Section must not be construed to diminish any employee leave required by a collective bargaining agreement under this Chapter.

(f) *Regulations*. The Executive may adopt Method (2) regulations to implement this Section.

33-28. Paid Parental Leave – County supplement to the State Family and Medical Leave Insurance Program.

(a) *Definitions*. For purposes of this Section, the following words have the meanings indicated.

FAMLI leave means employee leave under the State FAMLI Program.

FMLA leave means employee leave under the federal Family and Medical Leave Act, 29 U.S.C § 2601 *et seq*., as amended.

Parent means a biological parent, an adoptive parent, or a foster parent. *Parent* includes the spouse or domestic partner of a parent.

Parental FAMLI leave means FAMLI leave, taken by an employee who is a parent, to care for a newborn child, a newly adopted child, or a newly placed foster child within 12 months of the child's birth, adoption, or placement.

State FAMLI Program means the Family and Medical Leave Insurance Program required by the State of Maryland under the Time to Care Act of 2022, Chapter 48 of the 2022 Laws of Maryland, as amended.

(b) *County supplement to State FAMLI program benefits for parental FAMLI leave – required.*

(1) Except as provided under paragraph (2) of this subsection, the County must pay an employee on parental FAMLI leave the employee's County salary, reduced by the amount of any benefit the employee is entitled to receive for the leave under the State FAMLI Program.

(2) The County's payments under paragraph (1) of this subsection must be provided to compensate up to:

(A) 240 hours of parental FAMLI leave within a 12-month period, for an employee scheduled to work 40 hours per week; or

(B) a prorated amount of parental FAMLI leave within a 12-month period, for an employee scheduled to work more or less than 40 hours a week.

(c) *Continuance of benefits.*

(1) An employee on parental FAMLI leave must continue to receive employee insurance benefits.

(3) An employee on parental FAMLI leave must continue to receive retirement credit under the Employees' Retirement System in Article III or the Retirement Savings Plan in Article VIII, as applicable.

(d) *Relationship to FMLA leave.* To the extent permitted under the State FAMLI program and other applicable law, parental FAMLI leave must run concurrently with FMLA leave.

(e) *Collective bargaining.* This Section must not be construed to diminish any employee leave required by a collective bargaining agreement under this Chapter.

(f) *Regulations.* The Executive may adopt Method (2) regulations to implement this Section, including regulations to specify how, consistent with the State FAMLI program and other applicable law, parental FAMLI leave relates to other types of employee leave.

[33-27] 33-29—33-33. Reserved.

Sec. 2. Effective date and sunset. On the first day that an individual may file a claim under the State FAMLI Program: (1) County Code Section 33-27, amended under Section 1 of this Act, must sunset and must have no further force or effect; and (2) County Code Section 33-28, amended under Section 1 of this Act, must take effect.

Law	**Qualifications**	**Uses of Leave**	**Total Hours**	**Paid or Unpaid**	**Whether the leave runs concurrently with federal FMLA leave**	**Whether the leave runs concurrently with other County leave (e.g., sick leave)**	**Who pays the employee's salary during the leave**
Current County Law (COMCOR 33.07.01.20)	Full-time or part-time merit system County employee for 6 consecutive months	Care for newborn, newly placed foster child, or newly adopted child	720 hours over 24 months – but counts against other County leave	Could be either, depending upon the type of leave used	Yes; runs concurrently with federal FMLA leave	Yes	County, if the leave is sick leave, annual leave, compensatory time, or personal leave
Bill 10-22 (pre-State FAMLI program)	Same as current law	Same as current law	240 hours during 12 months – does *not* count against other County leave	Paid	Yes; runs concurrently with federal FMLA leave	No	County
Bill 10-22 (during State FAMLI program)	Same as current law, unless the State law requires that the employee be eligible prior to the 6 months of County employment	Same as current law	240 hours during 12 months would be fully paid and would not count against other County leave	Paid	Yes; runs concurrently with federal FMLA leave	The relationship between the 240 hours of paid parental leave and other types of leave would be determined by County regulations, which would have to be at least as generous as the State FAMLI program	County and the State FAMLI program

LEGISLATIVE REQUEST REPORT

Bill 10-22
Personnel and Human Resources – Paid Parental Leave

DESCRIPTION:	The bill would require the County to provide County employees with certain paid parental leave.
PROBLEM:	Need for paid parental leave for County employees
GOALS AND OBJECTIVES:	Provide paid parental leave to County employees and, once the State Family Medical Leave Insurance program is operational, supplement the State program for County employees
COORDINATION:	Human Resources
FISCAL IMPACT:	To Be Completed
ECONOMIC IMPACT:	To Be Completed
RACIAL EQUITY AND SOCIAL JUSTICE IMPACT:	To Be Completed
EVALUATION:	To be done.
EXPERIENCE ELSEWHERE:	
SOURCE OF INFORMATION:	Christine Wellons, Legislative Attorney
APPLICATION WITHIN MUNICIPALITIES:	N/A
PENALTIES:	N/A

MONTGOMERY COUNTY COUNCIL
ROCKVILLE, MARYLAND

ANDREW FRIEDSON
COUNCILMEMBER
DISTRICT 1

MEMORANDUM

TO: Montgomery County Councilmembers
FROM: Andrew Friedson
SUBJECT: **Supporting Working Parents in the County Government Workforce**
DATE: May 31, 2022

On June 14, 2022, I will introduce two bills to benefit working parents in the County Government workforce. I believe that the County government, as an employer of almost 10,000, must lead by the power of its example. We must model an environment that acknowledges, values, and uplifts women, parents, and families.

The first bill, *The Paid Parental Leave Act*, will provide for six weeks of paid parental leave for County employees and the second, *The Right to Nourish Act*, for lactation room(s) in County buildings. I would appreciate your co-sponsorship.

Historically, women in the workforce have been overburdened and under supported. COVID-19 has only exacerbated existing challenges. Women need our backing to productively engage in the workforce and their homes, perhaps now more than ever.

A significant body of literature supports the implementation of paid parental leave and lactation rooms in the workplace. The two are inextricably linked and produce noteworthy outcomes. Paid parental leave improves maternal mental and physical health, supports fathers' involvement in care, and enhances families' economic security. Research also shows that paid parental leave reduces infant mortality perhaps partially due to adherence to recommended medical checkup and vaccinations schedules. The greatest impact appears to be on mothers who could not otherwise afford to take time off.

Furthermore, paid parental leave contributes to healthy infant development vis a vis increased initiation and duration of breastfeeding. Breastfed infants have reduced risk of developing type 2 diabetes, obesity, asthma, infections, and sudden infant death syndrome, and lowers a mother's risk of heart disease, type 2 diabetes, ovarian cancer, and breast cancer. Sadly, a return to work often marks the end of breastfeeding because mothers cannot maintain their milk supply. This doesn't have to be the case. The CDC reports that in 2018 – 2019 Montgomery County had the highest rate of breastfeeding initiation (96.3%) in the State. With adequate facilities to support their efforts, mothers won't be forced to choose between returning to work and continuing to breastfeed.

We also know that race-based differences in breastfeeding exacerbate health disparities and other related inequities. For instance, in the US 64% of Black mothers initiate and 14% breastfeed exclusively at six months, compared to 82% and 23% among White mothers. Many factors play into these persistent disparities including issues related to work and labor conditions. The CDC and national public health

ANDREW FRIEDSON
COUNCILMEMBER
DISTRICT 1

partners recommend providing support for breastfeeding in the workplace to reduce disparities in breastfeeding.

While it is morally just to support women, parents, and caregivers in the workplace, Montgomery County Government will also reap the rewards of this public policy. Paid parental leave has been shown to increase retention and productivity and boost labor force participation. Breastfeeding is linked to decrease direct and indirect insurance claim costs and missed days from work due to caring for a sick infant. This legislation represents a win-win for all involved.

Please do not hesitate to reach out to me or Mary Gies on my staff with any questions. We look forward to receiving your support.

Fiscal Impact Statement
Bill 10-22
Personnel and Human Resources – Paid Parental Leave

1. **Bill Summary.**

   This Bill amends Section 33 of the Montgomery County Code to require the County to provide up to six weeks of paid parental leave to County employees prior to the effective date of the State Family and Medical Leave Insurance Program (FAMLI), and to ensure the County pays the employee's salary, minus benefits, for certain leave taken under FAMLI once effective.

2. **An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.**

   The Office of Human Resources (OHR) and the Department of Finance (FIN) estimate that there will be significant fiscal impact for the proposed changes. Over the last five fiscal years (FY18-FY22), the County has averaged 18,343 hours of unpaid leave annually associated with parental leave for individuals in a Leave Without Pay (LWOP) status, at an estimated total average annual compensation value of $764,153 (estimating the value of salary, FICA, and retirement benefits associated with those unpaid hours).

Leave Year	Unpaid Leave Hours	Unpaid Leave Salary and Benefits Cost
FY18	6,061	$200,776
FY19	20,389	$844,699
FY20	25,647	$1,068,218
FY21	18,441	$839,592
FY22	21,176	$867,479
Average	18,343	$764,153

   OHR has estimated the departmental cost of implementing the program, for activities such as communication of benefits, to be $199,515 annually and requiring additional personnel resources totaling 2.5 FTEs. $83,280 would be applied against the Employee Group Health Insurance Fund.

   OHR's Occupational Medical Services (OMS) would require an additional 1.5 FTEs to administer and process increased parental leave requests through OMS and provide guidance and training on policy and procedures. Ongoing support to department HR Liaisons on regulatory and legal requirements of the program once implemented. OMS currently processes Federal FMLA and County/union sick leave bank programs. Bill 10-22 for Paid Parental Leave (PPL) will increase these requests since they are all tied together and will run concurrently.

Core HR's 1.0 FTE will be needed to address the following:

- Coordinate and communicate with departments to ensure employee assignment status is updated based on available leave and placement in a LWOP status if leave used exceeds the allowable hours per regulations or Collective Bargaining Agreements.
- Follow-up with departments when incorrect codes are used in MCTime.
- Monitoring arrears report for this specific PPL program and manual correction of arrears reports when employee is placed in unpaid status in error.
- Receive and review paid parental leave notices from OMS.
- Reviewing new MCTime report for used PPL leave hours.
- Communication (certified & regular mail and to file) to employees when they are in LWOP and then approved for PPL retroactively, explaining that LWOP status has been rescinded.
- Communication and coordination with OHR health insurance team to reinstate employee insurance coverage if cancelled due to issues with assignment status.
- Additional transaction traffic, including review and approval of additional transactions to change assignment status as changes are required.
- Invoicing when employee on LWOP status applies for paid parental leave retroactively and then credits applied or cancelling invoices and rescinding LWOP assignment status.
- Additional Core HR training slides added to existing sessions to HR Liaisons, Supervisors and Employee version and time extension to 1.5 hours.
- Additional sessions with the "Ensuring Accountability in Timekeeping for Managers" by MCTime, Core HR would need to have an additional segment of paid parental leave.

FIN has estimated the costs the configure County systems and implement the necessary processes to support this new leave type at $159,426.

Total hours/cost by phase of implementation**		
Process	**Total Hrs**	**Total Dollars**
Define	156	$ 15,903.82
Design	246	29,144.19
Develop	971	107,292.00
Deploy	68	7,086.48
Total	1,441	$ 159,426.48

There is no anticipated impact on revenues.

3. **Revenue and expenditure estimates covering at least the next 6 fiscal years.**

   The proposed Bill also provides that once the State FAMLI program is effective, anticipated to occur during FY24, the County would cover any difference to ensure that employees who use that program receive their full salary. The impacts of FAMLI are still unknown at this time, and while it is estimated that the amount covered would be greater than zero, the full impact to the County could be up to the annual estimate identified in paragraph #2. The configuration costs are anticipated to be one-time, while the OHR communication costs are anticipated to be ongoing. Additionally, the implementation of the second phase of the Bill would involve an estimated volume of work similar to that of the initial implementation. At this time, FIN projects a similar estimation of work, also one-time during FY24.

   The estimated cost over the next 6 fiscal years is up to $6,000,920, covering the cost of previously unpaid leave, as well as identified resource requirements for OHR and FIN.

	FY23	FY24	FY25	FY26	FY27	FY28	Total
Unpaid Leave*	$764,153	$764,153	$764,153	$764,153	$764,153	$764,153	$4,584,918
FIN	$159,426	$159,426					$318,852
OHR	$99,575	$199,515	$199,515	$199,515	$199,515	$199,515	$1,097,150
Total	$1,023,154	$1,123,094	$963,668	$963,668	$963,668	$963,668	$6,000,920

   * Unpaid Leave beginning around January 1, 2025 (middle of FY24) is anticipated to be offset by the amount covered by FAMLI, which will first be paid by the County and later reimbursed at an unknown date by the State.

4. **An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.**

   It is unknown at this time whether the projected additional leave maintained by employees who utilize the parental leave associated with this Bill would affect those employees' retirement projections.

5. **Later actions that may affect future revenue and expenditures if the bill authorizes future spending.**

   Not applicable

6. **An estimate of the staff time needed to implement the bill.**

   FIN and OHR estimate approximately 2,641 hours to implement this Bill. This estimate consists of at least 1,441 hours to implement the payroll and MCTime systems, and 1,200 hours for OHR to implement and communicate the changes associated with these additional benefits.

7. **An explanation of how the addition of new staff responsibilities would affect other duties.**

   OHR estimates that staff time to implement this Bill cannot be absorbed by existing personnel and will require additional resources identified in the response to #2. FIN estimates that these additional responsibilities will add to both staff and contractual hours and will result in delays to other projects to accommodate implementation of this Bill.

8. **An estimate of costs when an additional appropriation is needed.**

   OHR estimates that an additional appropriation of $99,575 will be required for FY23 to create the positions necessary to operationalize the changes within OHR, assuming a mid-year hiring of the positions.

9. **A description of any variable that could affect revenue and cost estimates.**

   The primary costs of this Bill surround providing salary to County employees who are currently utilizing leave without pay to take parental leave. It is unknown whether this Bill will incentivize more, and how many more, people to take parental leave. Each additional individual would add up to approximately $10,000 per instance of six weeks of paid parental leave utilization.

   Additional utilization of parental leave would also have an impact on the cost for the remaining employees to cover for the responsibilities of the individuals utilizing leave. If there are more individuals utilizing parental leave in positions that require mandatory backfill, such as public safety or transit-related positions, there is an increased likelihood that the mandatory coverage will result in overtime. This overtime cost would represent an amount in excess of the normal cost of operations. There is also a likelihood that additional utilization of parental leave in non-mandatory backfill scenarios would result in an increase in temporary or contractual support to provide additional resource capacity for affected departments, the cost of which is difficult to determine at the present time. It will also need to be determined whether the utilization of this new additional leave type will require adjustments to the year-end accruals for compensated absences. Currently, FIN accounts for the liabilities associated with certain compensated absences by recognizing the liability in proprietary funds. The impact of this is undetermined at this time, but will result in larger liabilities reported than in recent years.

10. **Ranges of revenue or expenditures that are uncertain or difficult to project.**

    It is difficult to project how this additional benefit will affect behavior, both of existing employees and prospective employees; it is unclear whether this benefit would make employment with Montgomery County more attractive to prospective employees than other opportunities, and whether that would impact utilization rates. Any change to the utilization rate would affect multiple other expenditures, including additional overtime, temporary, or contractual costs.

11. If a bill is likely to have no fiscal impact, why that is the case.

Not applicable

12. Other fiscal impacts or comments.

The implementation of this Bill will likely have interplay with other forms of leave. How this leave type interacts with other existing types of leave will have unclear repercussions on both individuals trying to determine what leave to use for what scenario, as well as, County systems trying to manage and maintain the leave processes and systems.

13. The following contributed to and concurred with this analysis:

Heather Black, Department of Finance
Darryl Gorman, Office of Human Resources
Jennifer Shovlin, Office of Human Resources
Corey Orlosky, Office of Management and Budget

Jennifer R. Bryant — 7-1-22

Jennifer R. Bryant, Director
Office of Management and Budget

Date

Economic Impact Statement

Office of Legislative Oversight

Bill 10-22 Personnel and Human Resources – Paid Parental Leave

SUMMARY

The Office of Legislative Oversight (OLO) anticipates that enacting Bill 10-22 would have a slight positive impact on economic conditions in the County in terms of the Council's priority economic indicators. By offering paid parental leave to County employees and supplementing the State's Family and Medical Leave Insurance (FAMLI) program, the change in County personnel policy likely would affect certain resident employees in two ways: First, it may increase County payouts to resident employees and their beneficiaries who otherwise would not have accumulated as much leave at the time of separation from County service or death. Second, it may prevent wage disruptions for employees who otherwise would take unpaid leave, leave their job, and/or reduce their labor force participation in order to care for a newborn, newly adopted child, or newly placed foster child. As a result, these employees likely would experience an increase in net household income. However, OLO expects the total increase in net household income for all resident employees who experience these effects to be too small in magnitude to generate meaningful economic impacts on other residents and County-based businesses.

BACKGROUND

Bill Description

The goal of Bill 10-22 would be to offer paid parental leave to County employees and supplement the State's Family and Medical Leave Insurance (FAMLI) program.[1] The Bill would attempt to achieve this goal by creating a new category of paid parental leave that would consist of 240 paid hours (6 weeks) during a 12-month period and not count against the employee's personal, annual, or sick leave. As noted in the memorandum enclosed in the Bill's Introduction Staff Report, "Once the State's new FAMLI program becomes operational in 2025, County employees would continue to receive 240 hours of fully paid parental leave; the employee's leave would be paid in part by the State FAMLI program."[2] Thus, the County would completely cover the 240 hours of additional leave until 2025. The County would then supplement the State FAMLI program to ensure employees receive 240 hours of fully paid parental leave.

Primary Economic Stakeholders

The primary economic stakeholders in the County of Bill 10-22 would be **the households of County employees who reside in the County <u>and</u>, at some point, take paid parental leave.** (Note the Bill's potential economic impacts on non-resident

[1] Bill 10-22; and Wellons to County Council, Memorandum.
[2] Ibid.

County employees fall outside the purview of this Economic Impact Statements.) Of the 10,379 County employees, 5,654 (54 percent) reside in the County.[3] Residents employed with the County make up approximately 1 percent of the County's total labor force—551,326 as of April 2022.[4] Due to data limitations, OLO does not know the average number of resident County employees who would take paid parental leave on an annual basis.

INFORMATION SOURCES, METHODOLOGIES, AND ASSUMPTIONS

Per Section 2-81B of the Montgomery County Code, the purpose of this Economic Impact Statement is to assess Bill 10-22's impacts on County-based private organizations and residents in terms of the Council's priority economic indicators.[5] In this statement, OLO focuses on the Bill's potential impacts on the primary economic stakeholders identified above with respect to:

- household income; and
- workforce-related indicators, namely labor force participation, job retention, and wages.

Excluded from this analysis are the Bill's potential economic opportunity costs from forgone revenue expenditure if establishing the paid parental leave were to increase County costs.

To assess Bill 10-22's impacts on the Council's priority indicators, OLO performs a qualitative assessment based on two sources of information:

1. County Leave Policy: This analysis draws on the County's policy concerning annual leave to evaluate the effects of offering employees 240 hours of paid parental leave on the County's lump-sum payments to employees at separation from County service or death. The annual leave policy is stated in the following section of the Code of Montgomery County Regulations (COMCOR):

COMCOR, Sec. 33.07.01.16 Annual Leave.

2. Systematic Review: This analysis also draws on findings from a systematic review of the primary research on the economic impacts of paid parental leave policies. A systematic review provides a critical appraisal of the primary research on a specific topic using explicit and reproducible procedures and standards.[6] As a valuable tool for evidenced-based policy analysis,[7] a systematic review can indicate the extent to which there is high-quality evidence demonstrating a policy's effect on outcomes.

[3] Data on Montgomery County Employees, Office of Human Resources, Montgomery County, May 2022.
[4] U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics, Montgomery County, MD.
[5] Montgomery County Code, Sec. 2-81B.
[6] Guides.temple.edu, Systematic Reviews & Other Review Types; Peričić and Tanveer, "Why systematic reviews matter."
[7] Haddaway and Pullin, "The Policy Role of Systematic Reviews."

Using the Google Scholar database,[8] OLO identified the following systematic review of the peer-reviewed literature on paid parental leave policies:

> Nandi, A., Jahagirdar, D. Dimitris, M.C., Labrecque, J.A., Strumpf, E.C., Kaufman, J.S., Vincent, I., Atabay, E, Harper, S., Earle, A. and Heymann, S.J. "The Impact of Parental and Medical Leave Policies on Socioeconomic and Health Outcomes in OECD Countries: A Systematic Review of the Empirical Literature." *The Milbank Quarterly*, 96 (2018): 434-471.

OLO selected the 2018 systematic review for two reasons. First, it is the most recent systematic review on paid parental leave policies. The authors reviewed a total of 87 peer-reviewed papers on the socioeconomic and health outcomes of state- or country-level parental leave policies published between 1995 and 2016. Thirty-six of the reviewed papers examined economic outcomes, focusing on the effects of parental leave reform in European countries, Japan, Canada, and the United States.

Second, OLO is confident in the systematic review's conclusions regarding the economic impacts of paid parental leave policies. Of the 36 papers reviewed, 33 used quasi-experimental methods with clear strategies to identify the effect of these policies on economic indicators.[9] Quasi-experimental methods are distinguished from standard regression approaches by their ability to better identify the causal effects of a policy intervention from outcomes correlated with, but unrelated to, the intervention due to unmeasured confounding and other threats to causal inference. Thus, the authors' conclusions from the systematic review are based on high-quality empirical studies.

In subsequent sections of this statement, the 2018 systematic review is used to identify the empirically well-established economic impacts of paid parental leave policies. On this basis, OLO infers that the County's parental leave policy likely would have similar impacts on resident employees.

VARIABLES

The primary variables that would affect the economic impacts of enacting Bill 10-22 are the following:

- total number of eligible resident employees per year;
- average length of paid leave per eligible resident employee;
- job retention and labor force participation rates of eligible resident employees;
- average accrued annual payout to County employees at time of separation or death; and
- total annual household income of eligible resident employees.

[8] The article was identified using the following search term: *"paid parental leave" and "systematic review"*

[9] The quasi-experimental methods used are difference-in-difference, regression discontinuity, and pre-post and interrupted time series design. Three of the papers used only model-based approaches.

IMPACTS

WORKFORCE ▪ TAXATION POLICY ▪ PROPERTY VALUES ▪ INCOMES ▪ OPERATING COSTS ▪ PRIVATE SECTOR CAPITAL INVESTMENT ▪ ECONOMIC DEVELOPMENT ▪ COMPETITIVENESS

Residents

OLO anticipates that enacting Bill 10-22 would have targeted, positive impacts on certain households of resident County employees who would take paid parental leave in terms of household income and several workforce-related indicators. Establishing a paid parental leave program likely would impact these indicators in two different ways.

1. Increase Payout at Separation or Death: COMCOR describes the County's policy regarding the payout of accumulated annual leave when employees separate from County service or die. As stated in the regulations,

> (a) The County must pay an employee who separates from County service a lump sum payment for the total accrued annual leave as of the date of separation, less any indebtedness to the County government. The payment must be made at the employee's current rate of pay.
>
> (b) If an employee dies, the County must pay the employee's designated beneficiary a lump-sum payment for the total accrued annual leave as of the date of death, less any debt owed to the County government.[10]

By establishing 240 hours of paid parental leave that would not count against the employee's personal, annual, or sick leave, certain County employees would use less annual (and other) leave to care for a newborn, newly adopted child, or newly placed foster child than they would in the absence of enacting Bill 10-22. Some of these employees in turn would accrue more annual leave at the time of separation or death and they or their beneficiaries would receive larger payouts. Holding all else equal, larger payouts would increase net household income.

2. Prevent Wage Disruptions: In addition to increasing payouts at the time of separation or death, establishing a paid parental leave likely would prevent wage disruptions for certain employees. The 2018 systematic review described above analyzed 36 peer-reviewed papers on the economic impacts of state- or country-level paid and unpaid parental leave policies. Based on these papers, the authors conclude there is consistent evidence that paid parental policies increase leave-taking and longer durations of leave. They also conclude that these policies have the potential to increase the following economic indicators for women[11]:

- labor force participation,
- employment,
- job retention, and

[10] COMCOR adds, "If the employee does not name a beneficiary for annual leave, the County must pay: (1) the beneficiary named under the employee's retirement plan; or (2) the employee's estate, if the employee did not name a beneficiary under the retirement plan." Sec. 33.07.01.16 Annual Leave.

[11] The evidence for the impacts on men is less clear.

- long-term wages and income.

Furthermore, in contrast to paid parental policies, unpaid leave has little, or in some cases even negative, effects on women's labor force participation, employment, and wages.

Based on these findings, OLO anticipates that some resident County employees who use paid parental leave would be less likely to take unpaid leave, leave their job with the County, and reduce their participation in the labor force in the short- and mid-term than they otherwise would in the absence of enacting Bill 10-22. Given the potential for unpaid leave and employment gaps to reduce net wages, the Bill's impacts on leave use, job retention, and labor force participation likely would increase net household income for certain County employees.

While Bill 10-22 likely would increase net income for households of some County employees who take advantage of the paid parental leave program, OLO does not expect the average total increase in household income on annual basis to stimulate enough household spending to significantly impact other residents with respect to the Council's priority indicators. First, as previously mentioned, the 5,654 County employees who reside in the County make up approximately 1 percent of the County's total labor force. The average number of resident County employees in which the paid parental leave program would increase payout at the time of separation or death and/or prevent wage disruptions related to parental demands, though unknown, likely would be much less than 1 percent of the total labor force. Second, a portion of any income gain would go towards discretionary spending with little to no direct impact on local economic conditions (i.e., student loan debt service).

Businesses, Non-Profits, Other Private Organizations

OLO anticipates that enacting Bill 10-22 would have an insignificant impact on private organizations in the County in terms of the Council's priority economic indicators due to the Bill's insufficient impact on household spending.

DISCUSSION ITEMS

While there is a large body of high-quality research on the socioeconomic (and health) impacts of paid parental leave policies, few studies have examined whether subgroups are more likely to benefit from leave policies. The few subgroup analyses performed have found wage, occupational class, and other inequities in taking advantage of paid parental leave.[12] Councilmembers may want to consider whether the Department responsible for implementing the program should periodically assess uptake among all eligible employees.

[12] Elser, et al, "Inequities in paid parental leave across industry and occupational class"; and Goodman, et al, "Among Low-Income Women In San Francisco, Low Awareness Of Paid Parental Leave Benefits Inhibits Take-Up."

WORKS CITED

COMCOR. Sec. 33.07.01.16 Annual Leave.

Elser, Holly, Connor Williams, William H. Dow, and Julia M. Goodman. "Inequities in paid parental leave across industry and occupational class: Drivers and simulated policy remedies." SSM – Population Health. 18 (2022)

Goodman, Julia M., Holly Elser, and William H. Dow. "Among Low-Income Women In San Francisco, Low Awareness Of Paid Parental Leave Benefits Inhibits Take-Up." Health Affairs 39:7 (2020): 1157-1165

Guides.temple.edu, Systematic Reviews & Other Review Types, Temple University Libraries**.**

Haddaway, Neal R. and Andrew S. Pullin. "The Policy Role of Systematic Reviews: Past, Present and Future." *Springer Science Reviews*. 2 (2014): 179-183.

Montgomery County Code. Sec. 2-81B, Economic Impact Statements.

Montgomery County Council. Bill 10-22, Personnel and Human Resources – Paid Parental Leave. Introduced on June 14, 2022.

Nandi, A., Jahagirdar, D. Dimitris, M.C., Labrecque, J.A., Strumpf, E.C., Kaufman, J.S., Vincent, I., Atabay, E, Harper, S., Earle, A. and Heymann, S.J. "The Impact of Parental and Medical Leave Policies on Socioeconomic and Health Outcomes in OECD Countries: A Systematic Review of the Empirical Literature." *The Milbank Quarterly*, 96 (2018): 434-471.

Peričić, Tina Poklepović and Sarah Tanveer, "Why systematic reviews matter," Elsevier, July 23, 2019.

U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics, Montgomery County, MD.

Wellons, Christine to County Council. Memorandum. Bill 10-22, Personnel and Human Resources – Paid Parental Leave. June 9, 2022.

CAVEATS

Two caveats to the economic analysis performed here should be noted. First, predicting the economic impacts of legislation is a challenging analytical endeavor due to data limitations, the multitude of causes of economic outcomes, economic shocks, uncertainty, and other factors. Second, the analysis performed here is intended to *inform* the legislative process, not determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the Bill under consideration.

CONTRIBUTIONS

Stephen Roblin (OLO) prepared this report.