

THE PAID LEAVE PROJECT

EMERGING BUSINESS TRENDS IN PAID FAMILY MEDICAL LEAVE



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I. INTRODUCTION: THE PAID LEAVE LANDSCAPE

The U.S. workforce is changing. While the number of employees 55 and older has grown, as of 2015, the millennial generation dominated the workforce.¹ Millennials have different values than prior generations; they care less about money and more about the nature of their work and quality of life. Many would rather work on contract than as regular employees; 79% would consider quitting their job in the future to work for themselves.²

Additionally, gender roles have shifted. Fathers are involved with caregiving more than ever before. The result of these changes? Employees increasingly desire a workplace that accommodates their values and family obligations. This increases competition for talent and creates an environment where worker benefits can make or break the talent search, particularly for high-skilled positions. Benefits packages, including paid family and medical leave, are among the most important factors in companies' efforts to attract, retain and motivate employees.³

An overwhelming majority, 72%, of Americans support paid family leave, and the leading political parties agree on its value.⁴ Presidential candidates and members of Congress have proposed a range of national paid leave policies in recent years. Despite growing consensus on the benefits of paid leave, only 14% of the U.S. workforce has access to any type of paid family leave.

What is Paid Leave?

For this research, paid family medical leave (PFML) is defined as:

- Parental leave: For new parents to care for and bond with a new child that has joined the family through birth, adoption, or foster care placement.
- Caregiver leave: For employees to care for a family member with a serious health condition.
- Medical leave: For workers with a serious personal health condition.



I. INTRODUCTION: THE PAID LEAVE LANDSCAPE

Additionally, just 6% of the lowest quartile of wage earners receive paid family leave, compared to 22% of those in the top sector. Internationally, the U.S. is one of just three countries – and the only member of the 35-country Organisation for Economic Co-operation and Development – without a federal policy mandating family paid leave for workers.

To address the gap between demand for paid leave and lack of a comprehensive national policy five states, the District of Columbia, and a growing number of counties and cities have passed laws requiring employers to offer paid leave benefits. As many as 20 additional states are considering legislation. At the same time, an increasing number of employers are deciding to offer paid leave voluntarily.

As the national dialogue on paid leave continues, it's vital to include the private sector's voice. Companies need paid leave to make business sense, and they need it to work for their employees.

Enter **Panorama**. A Seattle-based action tank working to solve global problems, Panorama conducted qualitative and quantitative research with the Boston Consulting Group and in early 2017 released the report, "**Why Paid Family Leave is Good Business.**"

Panorama subsequently established The Paid Leave Project to better understand the employer point of view on this topic. In 2017, we at The Paid Leave Project continued our research with more than 470 companies in the U.S. private sector. We conducted in-depth interviews with companies across 23 industries, ranging from technology to manufacturing, transportation, and retail.

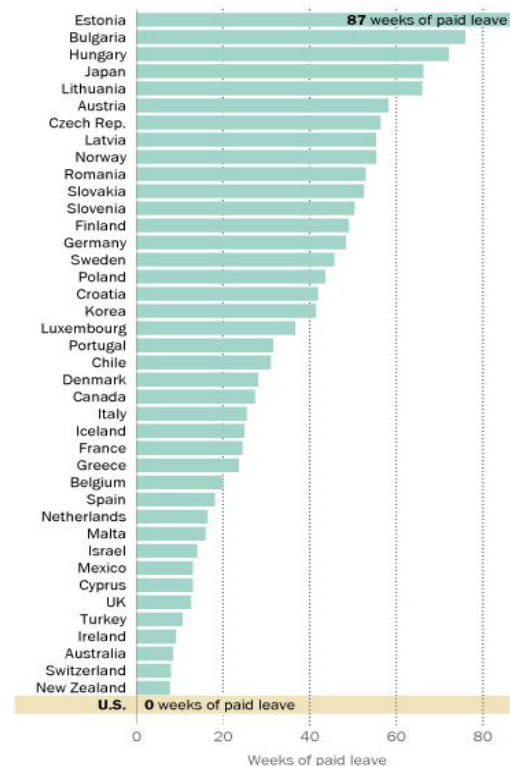
This report details new findings on why the nation's largest and most influential companies are offering paid leave and outlines challenges and industry-specific factors affecting paid leave adoption. It also shares emerging trends that will influence the paid leave discussion in coming years. These findings will help employers and policy makers better understand the employer's perspective on offering paid leave benefits to their employees, and why some companies have resisted offering this benefit.

Paid leave offered by other countries

Source: http://www.pewresearch.org/ft_16-09-19_parental_leave/

Of 41 nations, only U.S. lacks paid parental leave

Total weeks of paid leave mandated by national government to new parents



II. PAID LEAVE: THE EMPLOYER EXPERIENCE

Beginning in mid-2015, word of employers offering or expanding paid leave suddenly began to grab mainstream headlines. Technology, finance, and professional services companies led the charge, but they were by no means alone. Employers as diverse as Chobani, IKEA, and Hilton also made headlines with their announcements. With our research, we aimed to understand why employers were deciding to offer paid leave and the challenges they faced in coming to that decision.

Drivers for offering paid leave

Employers typically decide to offer paid leave to their employees due to a combination of factors. The specifics vary by employer based on business needs, workforce makeup, company values, and geographic location. Top reasons employers often cited for voluntarily offering paid leave programs include employee influence, competitive pressure, and the influence of the tech industry.

EMPLOYEE INFLUENCE

Employee demand for paid leave is a leading factor for employers deciding to offer the benefit. More than 40% of companies that already have paid leave cited this as a driver. Based on our research, employees' increased focus on paid leave is driven by three primary factors:

- The growing proportion of millennials in the workforce.
- Media coverage of companies' new and expanding policies.
- Hearing about friends' and family members' paid leave benefits.

Employers typically learn of employees' desire for paid leave in several ways: employee surveys, conversations and focus groups with human resources (HR) personnel, employee resource groups and advocates representing employees, including unions. For example:

- For a manufacturing company, one of the largest privately held companies in the U.S., the tipping point to seriously consider offering paid leave was an LGBTQ couple asking HR about access to paid leave as adoptive parents.
- A large passenger transportation company said the request originally came from an employee union.
- Internal employee advocates often play a key role in driving policy adoption. A group of women proposed an improved leave policy at Amazon that the company ultimately adopted. Partially due to Amazon's cachet, this approach garnered media coverage that drew the attention of potential employee advocates at other companies. A similar situation evolved at Lyft.
- One company in the retail industry, asked about its motivation for offering paid leave, noted the importance of employee feedback: "If you don't listen and take action in this industry, you're out."

II. PAID LEAVE: THE EMPLOYER EXPERIENCE

“We need a package that employees will find attractive,” said one large consumer products company. “We also think it’s the right thing to do. We want employees who are fully engaged and feel that their work is being valued.”

According to published research, employers are beginning to see concrete benefits from offering paid leave programs:

- 82% of companies with paid leave programs experienced a measurable increase in morale⁵
- 63% of employers say they have seen an increase in productivity⁶

COMPETITIVE PRESSURE

Employers are keenly aware of, and interested in, the benefits their competitors offer. Competitive pressure, whether within a company’s industry or local geographic area, can lead a business to offer paid leave.

Some employers we interviewed cited a desire to be an industry-leading “best employer.” They believe offering paid leave is a step toward achieving that status. A manufacturing company, one of its state’s largest employers, shared: “A company can choose to be in the middle of the pack, but we don’t see that as a competitive advantage. We want to be leaders.”

Other employers may not aspire to be industry leaders, but still feel pressure to be competitive within the middle of the pack. Offering or expanding a paid leave program can help an employer effectively compete for

quality employees. Employers in specialized industries or geographies with a tight labor market say a compelling benefits package, including paid leave, is key to attracting and retaining top talent.

“The war for talent is pretty bad,” said one large aerospace company. “We are taking a deeper dive at looking to expand (our) total rewards.”

RaceTrac:
*Listening to the
Voice of Employees*

The values of RaceTrac, a retail company based in Atlanta, outweighed the challenges that businesses in low profit margin industries often feel. Despite market pressures, and due largely to employee feedback, RaceTrac made paid leave a priority in 2016. As a result, the company is retaining top-performing female talent they may have lost without competitive and supportive parental leave options.

Duke Energy: *Attracting Top Talent*

Duke Energy, a leader in the utility industry, recently benchmarked its benefits offerings. Headquartered in Charlotte, North Carolina, and competing with other large employers in the area for talent, Duke saw expanding leave benefits as an opportunity to help attract and retain top talent. They rolled out the benefit for employees at all levels, and aligning with the company's values and its diverse, inclusive workforce.

Duke utilized a 16-week "grace period" to transition employees to the new policy. This transition approach resulted in a positive experience for employees immediately preceding the implementation of the new policy.

OUTSIZED INFLUENCE OF THE TECH INDUSTRY

Technology companies' generosity when it comes to paid leave is well documented. Netflix and Spotify, for example, respectively offer 52 weeks and 26 weeks of parental leave. The so-called benefits arms race does not stop at tech's borders. Rather, technology companies are influencing employers outside the industry to offer paid leave.

The tech industry views employee engagement as a direct tie to business success. Media attention about supports such as paid leave, coupled with conversation among family and friends who benefit from these

programs, have stoked demand among employees across industries. Further, as the digital revolution pushes into other industries, the demand for employees with technology experience accelerates.

The industry is thus influencing employers across the country and a variety of industries, including transportation, retail, telecommunications, healthcare, and manufacturing. Some companies in these industries are directly reaching out to technology companies to benchmark against their benefits. The industry's influence is especially strong in, although not exclusive to, regions with a high concentration of tech firms, such as Silicon Valley, Boston, and Seattle.

- One employee union in the transportation industry was inspired by tech company announcements about paid leave, and asked their management to add the benefit.
- Millennial fathers at a multinational manufacturing company forwarded paid leave press announcements from technology companies to their HR team to highlight their desire for similar benefits.
- A nationwide transportation company that competes with local organizations for workers said paid leave policies offered by two regional tech companies influenced its employees' requests, which led to its own subsequent adoption of paid leave.
- A healthcare company located in a rural area competes for workers with the distribution center of a large technology company. Because the technology company offers parental leave, the healthcare company felt the competitive pressure to follow suit.

II. PAID LEAVE: THE EMPLOYER EXPERIENCE

Drivers for offering paid leave: Key outcomes

- Employers who are responsive to employee demand for paid leave reap the rewards of greater retention, engagement, and productivity.
- Paid leave can help companies compete for desirable talent and contribute to a company's reputation as an industry leader.
- Offering paid leave can open the door to top talent from outside an employer's industry, including talent from the technology sector.

Barriers to offering paid leave

As we spoke with employers to better understand the hurdles to offering paid leave it became apparent that the main challenges relate to cost issues.

PERCEIVED COSTS

Not surprisingly, cost is the hurdle employers mentioned most frequently when discussing the challenges of offering paid leave. Companies implementing or expanding paid leave typically cite the benefits of recruiting, retention, and motivation. Some track paid leave usage. However, data on incremental spending and cost savings is hard to come by. We also found two additional challenges associated with cost arise: workforce management and low profit margins.

WORKFORCE MANAGEMENT

Employers we interviewed say they grapple with covering an employee's work when they are out on leave. Requirements differ according to industry, business size and workforce. Regardless of the type of employer, however, addressing this workforce gap is a cost consideration (e.g., paying for a resource to temporarily fill a role while also funding the employee's leave) and/or a management issue (e.g., determining how to deploy other workers to accommodate the leave).

Many technology companies use contractors to cover for paid leave. Employers from retail, manufacturing, transportation and others with a high concentration of hourly workers indicated that coverage is particularly challenging for their sectors. Given the nature of production and front-line roles, it can be logistically complex for such workers to cover their co-workers' duties in addition to their own.

Nestlé USA sees opportunity in the challenge and takes a variety of approaches. "Workforce management doesn't have to be a negative or a challenge in cases of parental leave; it can really be an opportunity for your team, if you look at it holistically," said Liz Caselli-Michael, who oversees digital communications for Nestlé in the U.S. "We use it as a stretch opportunity for junior employees or new employees to train or cross-train in a different function and take a development opportunity. Also, in roles where it's applicable, we make it an overtime opportunity for folks looking to take on additional shifts."

Nestlé USA: *Committed to Evidence-Based Decisions*

Nestlé USA has emerged as a vocal leader on offering and tracking the results of paid leave. Liz Caselli-Michael said: “Nestlé is committed to making evidence-based decisions. We have a company commitment to research and we use data analysis to make decisions, which means it is important that the data is complete and available.”

However, Nestlé did not originally track parental leave separately from other usages of short-term disability leave or Family Medical Leave Act leave. The company did not necessarily know who took maternity leave, how long typical leaves were, or the retention rates for those who did and did not use the maternity leave program.

Undeterred, “we took 2016 as the baseline year,” Caselli-Michael said. The group identified the data it would compile the first year and acknowledged it as the starting point. Now the quest for more complete data is part of Nestlé’s plans going forward. Hear more about Nestlé’s efforts at: <http://www.paidleaveproject.org/>

INDUSTRIES WITH LOW PROFIT MARGINS

Employers in industries with traditionally low profit margins, including retail and transportation, consistently noted how difficult it is to consider offering paid leave, given the financial constraints of their businesses. Several retailers indicated that they do not view paid leave as financially viable. For example:

- One nationwide retailer located in a state with a proposed paid leave law projected it would have to spend “a couple million dollars a week” to expand its leave policy to cover all U.S. employees.
- Another large retailer noted, “Retail margins are small, and we are struggling.”
- Yet another nationwide retailer indicated, “How can I offer paid leave when I can’t even offer comprehensive healthcare, including dental insurance?”



Patagonia: *Starting at Ground Level*

In retail, a traditionally low profit margin industry, outdoor retailer Patagonia is in a category of its own. Patagonia has offered its employees paid leave from the very start. When Yvon and Malinda Chouinard started the company, their employees were friends and family. The Chouinards wanted to support them, and their families, and implemented generous leave benefits from the start. Over the last five years, 100% of the women who have had children while working at Patagonia have returned to work. This has led to a balanced workforce and about 50% representation of women in all management levels.

Barriers to offering paid leave: Key outcomes

- Covering the work of an employee on leave can be a significant consideration that many employers view as a barrier. However, it also presents an opportunity for cross-training, development, and increasing responsibility.
- While employers in industries with traditionally low profit margins find the prospect of offering paid leave daunting, a handful of employers who have embraced paid leave are seeing positive results.



State legislation: A catalyst and a challenge

In the absence of national paid leave legislation, a growing number of states, counties and cities are enacting laws and ordinances requiring employers to offer paid leave benefits to their employees. Five states and the District of Columbia have passed paid leave legislation - most recently New York, whose legislation took effect January 1, 2018, and Washington State, where benefits will be available in 2020. As many as 20 more states are considering some form of paid leave law.

This growing body of laws requiring employers to offer paid leave means that more employees and their families will have access to paid time off.

However, differing and sometimes competing requirements across laws and jurisdictions create what employers call a “patchwork approach.” It can be difficult for employers who operate in multiple geographies to comply with the various laws. According to a poll of 165 respondents in a national Disability Management Employer Coalition (DMEC) webinar in November 2017, 34% said they must comply with more than six paid leave legal mandates.

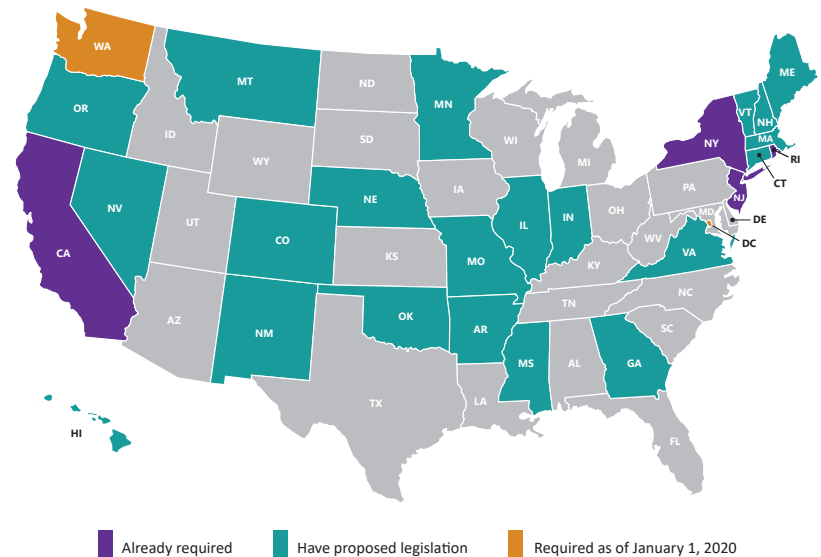
A large technology company with offices across the country called out the volume of resources it takes to manage compliance, noting that it would “be phenomenal if there was a federal approach.” The current patchwork approach to legislation is “harder and costs more administratively,” said another.

Even without a national paid leave policy, some companies that are required to provide paid leave in

one location have made the decision to offer it to all employees equally across the country.

- A national entertainment company based in a state with a paid leave law decided to offer paid leave to all U.S. employees, driven by a company value that all employees be treated equitably.
- A retail company facing a new paid leave law at its headquarters location opted to offer paid leave to employees nationally.

STATES WITH PAID LEAVE LEGISLATION



State legislation: Key outcomes

- While paid leave may initially be offered to fulfill a mandate, it may also inspire company leaders to roll out the benefit across their entire workforce.

III. EMERGING PAID LEAVE TRENDS

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Our research identified three trends we believe will influence the paid leave landscape in 2018 and beyond.

Legal, shareholder and employee activism

Lack of a paid leave program can result in a company becoming a target for shareholder and employee activism, including legal action:

- The U.S. Equal Employment Opportunity Commission has filed a lawsuit accusing Estée Lauder of discriminating against men by giving them less paid parental leave than women.
- In June 2017, a father filed a sex discrimination complaint against JPMorgan Chase, saying fathers should have as much right as mothers to be considered primary caregivers.
- Activist investors and grassroots organizations are targeting some large employers to draw attention to the issue of offering equitable paid leave to all employees. Recently passed tax breaks, and a paid leave tax credit for employers already offering the benefit, are leading to a tipping point for some companies, including Starbucks and Walmart.

Wrap-around supports

Our research uncovered a trend toward providing what some companies call “wrap-around” supports to complement paid leave benefits. Examples include flexible work schedules to ramp on and off when employees return from leave, providing private locations for mothers to breastfeed, and employee resource groups for new parents. Some companies provide stipends for adoption costs or fertility treatments and give employees access to other tools and services. For example, Nestlé provides free breast pumps, lactation consultants, and “baby bundle” gift baskets.



Broader caregiver programs

Innovative employers are expanding beyond traditional maternity leave to a broader menu of paid leave benefits. Parental leave, which includes both maternity and paternity, is still the easiest place for employers to start, but caregiver leave is increasingly becoming a part of those early benefit conversations.

“Elder care is another thing we’re looking at,” said one large aerospace employer. “This is where our employees are, sandwiched in the middle.” Companies such as Microsoft, Deloitte, Facebook, LinkedIn, and Nike are leading the way, offering four to as much as 16 weeks of leave to care for close family.

Paid leave trends: Key outcomes

- Employer brand reputation and employee morale both surge when benefits are equitable, across gender and all levels of workers.⁷
- Companies can boost the emotional impact of their paid leave programs by bundling them with low-cost/high-impact supports and resources.
- Companies are recognizing employee needs and expanding paid leave benefits beyond parental leave to include caregiver leave.

More than 50% of the November 2017 DMEC webinar respondents, primarily benefits and HR personnel, said their companies are considering paternity leave policies, while 48% said they are considering broadening caregiver leave. With an aging U.S. population, an increasing number of workers will need to become a caregiver for a family member.



IV. RESOURCES FOR ACCELERATING ACCESS TO PAID LEAVE IN THE PRIVATE SECTOR

The U.S. paid leave conversation shows no signs of slowing, and we anticipate that the dialogue will continue to grow as more companies offer the benefit voluntarily, and as more states pass laws requiring paid leave. It is a benefit that employees are beginning to view as a necessity.

And yet, paid leave is complicated. Organizations such as DMEC, the Integrated Benefits Institute (IBI), and providers such as LeaveLogic offer valuable research, tools, and resources for employers as they roll out or expand benefits. The Paid Leave Project, in collaboration with the Boston Consulting Group, created a comprehensive paid leave Playbook for employers. This free resource offers guidance for company leaders interested in bringing paid parental, caregiver, and/or medical leave benefits to their business.

The Playbook meets companies where they are in the adoption lifecycle, from building a business case to implementation.

Tools and resources include:

- Cost calculator and industry benchmarking data
- Paid Leave policy template
- Tips for employers in states with new paid leave laws were recently added

- Paid Leave best practices and case studies of companies that offer the benefit

Visit [The Paid Leave Project](#) to learn more about how to prepare for implementation, and to gain access to the Playbook.

Building on our 2017 findings, we are focusing our efforts in 2018 on three primary areas.

- Identify industry-specific dynamics relating to paid leave adoption.
- Learn from and equip companies in states that have passed or are considering paid leave legislation.
- Learn how employers are tracking data, results, and the return on investment (ROI) of their paid leave programs so we can share ideas and resources with other employers looking for this information.

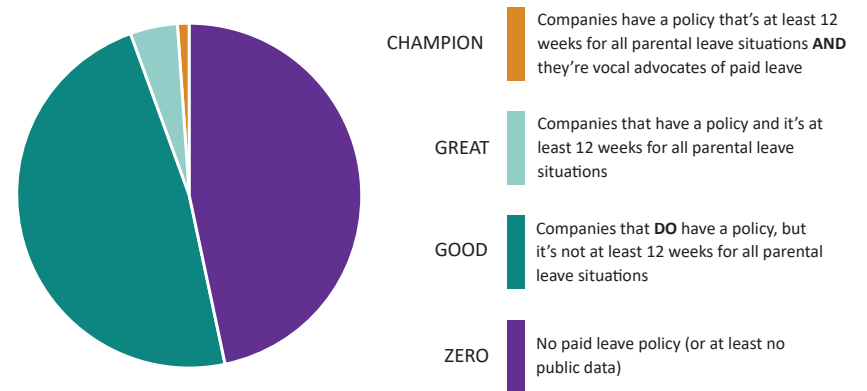
If you are a large employer and would like to participate in our research, we'd love to hear from you. Your identity can remain confidential if needed, but your impact will be significant. As the national conversation about paid leave grows, harnessing the voices of employers who navigate the challenges of rolling out paid leave programs to their workforces will be more critical than ever.

V. APPENDIX: METHODOLOGY

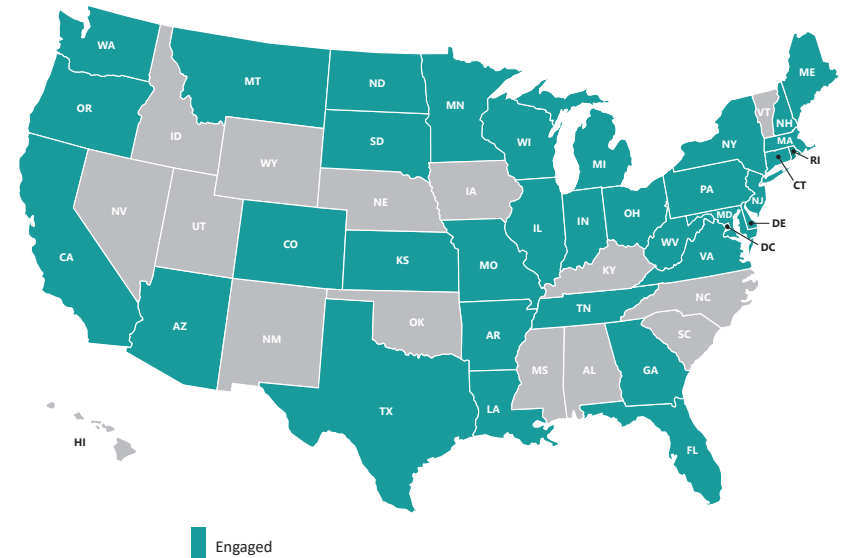
The Paid Leave Project gathered and assessed data from our engagement with more than 470 large U. S. employers across 23 industries.

Our strongest evidence came from one-on-one discussions with HR personnel, benefits professionals, and other executives. Much of the data used in this report was qualitative, gathered via in-depth interviews with 36 large employers (generally 10,000+ employees) from 14 industries, including companies with paid leave policies (24) and those without policies (12). We created standardized questionnaires to guide conversations and provide a reliable data set for surfacing themes and categories. This also allowed for open-ended dialogue, reducing the potential to influence answers. Interviews were held with HR leaders as well as vice presidents, directors, and managers from a variety of departments including leave and disability, benefits and compensation, government relations, public policy, and corporate communications. Conferences, convenings, traditional research, and tracking of current events in paid family and medical leave also informed our insights.

CATEGORIZATION OF ORGANIZATIONS THE PAID LEAVE PROJECT ENGAGED WITH



THE PAID LEAVE PROJECT ENGAGED WITH COMPANIES IN THESE STATES



Upon request, we anonymized company names and identities to allow for more complete discussion and data gathering.

About The Paid Leave Project

The Paid Leave Project is an initiative managed by Panorama that works with U.S. companies to raise awareness of the benefits of a comprehensive paid leave program for both employers and employees. For more information on The Paid Leave Project, and links to the downloadable Playbook and other useful resources, visit www.paidleaveproject.org.

About Panorama

Panorama is a nonprofit action tank working to create change on global issues affecting people, the planet, and productivity. Paid Family and Medical Leave is the flagship program for Panorama's productivity pillar. It supports Panorama's belief that when each person has an opportunity to make an equal contribution, regardless of gender, race or economic standing, we all live more productive lives.



VI. CITATIONS

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