

Examining the Evolution of Paid Parental Leave

While the United States continues to be the only developed nation without mandated paid maternity leave, U.S. employers are blazing their own trail for new parents. This article defines parental leave, explains what's driving the increased interest in paid parental leave among employers offering it and discusses how paid parental leave can benefit employers and employees alike. Finally, the author discusses why not all employers are offering these benefits as well as considerations for employers contemplating whether paid parental leave is right for them.

by **Carol Sladek** | *Aon Hewitt*

In a country with the distinction of being the only developed nation in the world without mandated paid maternity leave, U.S. employers are blazing their own trail for new parents. Recently, there has been a sudden and surprising surge in paid parental leave programs offered by U.S. companies. A handful of employers have announced very generous, leading-edge paid parental leave offerings to their employees. Netflix stepped far beyond the norm by offering paid leave for up to a year for all new parents. Amazon followed suit by announcing extended paid leave for its employees and even offering employees the opportunity to share their paid leave with a spouse not employed by Amazon. Companies across a variety of industries—such as Johnson & Johnson, Accenture, Nestlé and Hilton Worldwide—recently have jumped on board and created their own distinctive parental leave programs.

Paid parental leave can be a great talent attraction, engagement and retention tool for employers and a wonderful benefit for the employees and their children. Sounds great,

right? But why the sudden interest, and is this becoming the norm? Is it really doable?

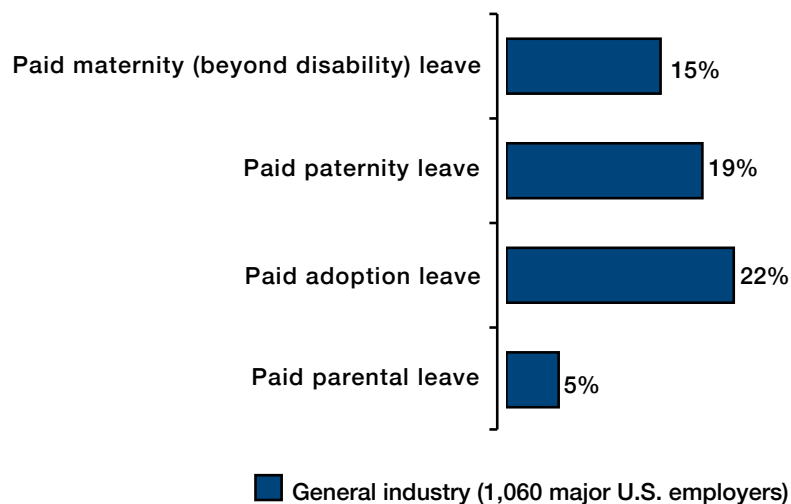
Defining Parental Leave

Parental leave isn't a new concept. Today, many employers provide some type of paid leave benefits for new parents, but their approach often is very fragmented with different benefits for birth mothers, birth fathers and adoptive parents. Paid leave approaches include some combination of:

- **Maternity leave:** Medical disability leave provided to birth mothers (six to eight weeks); additional leave may be provided for bonding
- **Paternity leave:** Paid leave provided to fathers with a new child (median two weeks)
- **Adoption leave:** Paid leave provided to adopting parents (median four weeks)
- **Parental leave:** Paid leave offered to all new parents with a new child, provided in addition to disability leave for maternity for birth mothers (median two weeks).¹

FIGURE

Prevalence of Paid Parental Leave



Source: Aon Hewitt Benefit SpecSelect™ 2015.

Maternity leave is by far the most common benefit offered. Nearly all major U.S. companies provide some type of paid maternity leave to cover the “disability” of giving birth, typically covered under the disability plan. And, while far less common, a small percentage of employers go beyond the disability period and provide additional time to birth mothers for bonding with a new child.

Nearly one in five companies offers a separate paternity leave policy providing fathers with time off to bond with a new child. And paid leave for parents adopting a child is offered by almost a quarter of major U.S. companies.

The newest trend among employers is to wrap it all together and offer paid parental leave to all parents—moms and dads, birth or adopting. (This leave

generally is provided to birth mothers in addition to disability leave.) However, while the trend appears to be an upward one, paid parental leave is offered today by only a small percentage of companies and typically is only a few weeks in duration (see the figure).

Considering the vast majority of companies aren’t providing much bonding leave to new moms or dads, what makes the new policies of leading-edge employers like Netflix so unusual is that they offer generous amounts of paid parental leave to *all* new parents.

What’s Driving the Increased Interest in Parental Leave?

Several forces are driving employers to offer increased time off for new parents. First, social trends are leading the push toward paid parental leave.

The demographics of the workforce have shifted, and Gen Y and Millennial workers have overtaken Baby Boomers and make up the largest proportion of the workforce. Employers continually are searching for competitive advantages in the war on talent, and there is increasing evidence that these employees place a high value on flexibility, time off and greater involvement in their children’s lives.

In addition, the family structure has evolved. With both parents working in many families, the longstanding traditional male/female roles at work and home are crossing over. More dads are making dinner and putting kids to bed, while more moms are leading board meetings. The number of single parents, forced to juggle an exponential number of tasks, is increasing in the workplace too. As a result, savvy employers are focusing on work-life benefits as a way to distinguish their total rewards packages to realize a competitive advantage. In today’s workforce, paid parental leave is a compelling recruiting tool to entice talent and increase engagement.

Market trends also are driving companies to raise the bar on paid parental leave. While the percentage of employers offering leading-edge paid parental leave programs is small, more and more companies are considering adding the benefit. And while high-tech employers are leading the pack, the list of employers expanding their parental leave benefits spans across industries. Company names like Netflix, Microsoft, Google, Facebook, Johnson & Johnson, Ac-

centure, Hilton Worldwide, Intel and Nestlé are becoming synonymous with parental leave. These companies offer their policies strategically—to benefit both the company and the employees. But this approach is rooted in their organizational cultures, work-life philosophies and competitive market for talent, not simply a “nice to have” benefit.

The uptick in paid parental leave is also being fueled, in part, by the changing legal landscape. Building on federal and state unpaid family and medical leave laws that have been around for two decades, several states (California, New Jersey, Washington and Rhode Island) now have additional requirements for paid parental leave. President Barack Obama took action early in 2015 to raise awareness for the need for time off for new parents by signing an executive memorandum to guarantee federal employees six weeks of paid parental leave. And new bills repeatedly have been introduced in the last several years in Congress to provide paid family and medical leave.

The Equal Employment Opportunity Commission (EEOC) recently examined the issue of equality of paid parental leave, driving many employers that have a “patchwork” approach to maternity, paternity and adoption leave to review their policies. The EEOC guidance, issued in 2014, addresses equality in offering parental leave to women and men. It indicates that while leave related to pregnancy and childbirth (or related medical conditions) can be limited to women, parental leave that is not related to physical or medical conditions must be provided to men and women on the same terms. So the legal tide is slowly changing.

Because of the changing social fabric of the workforce, increasing competitive pressure on employers and shifting legal landscape, the trend toward paid parental leave is growing. The train is leaving the station, and more and more employers are hopping on board with a unified parental leave policy.

Parental Leave: Benefiting Employees and Employers

So why offer parental leave? These policies provide several obvious benefits to employees. First, paid parental leave offers both men and women the opportunity to spend time with a new child and to adapt to a significant change in family life. And while most employees are eligible for unpaid

leave under the Family and Medical Leave Act, paid leave makes taking the time off much more realistic. Many employers continue benefits while on paid leave, too, making leave even more practical. And, in the optimal situation where both parents have paid leave available from their employers, the family can enjoy an extended period of time off to welcome and bond with a new child.

What about the employer’s side of paid parental leave? Isn’t it an additional cost to the company? Is implementing a paid parental leave program financially realistic? There is indeed a cost to offering additional paid leave, especially when offered to all parents. The cost, of course, depends on the duration of leave provided and the number of parents who take advantage of it. A successful program should be designed to meet the company’s business objectives, as illustrated by the wide range of employer parental leave policies in place today—ranging from a few weeks of leave to up to a year.

But parental leave offers significant advantages to the company too. Not only is it a powerful recruiting tool, but research indicates that employees who take paid parental leave are much more likely to return from leave—a huge benefit to the company.² These employees also report having higher levels of engagement—which translates into employees who

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Key Steps in Designing a Paid Parental Leave Policy

- Set objectives.
- Review current offerings and utilization.
- Conduct research with employees and managers to learn about needs, perceptions and cultural barriers.
- Benchmark market practices.
- Develop the design—scope of policy, eligibility and duration of leave.
- Define integration with other leave policies (disability, Family and Medical Leave Act, state mandates, etc.).
- Review for legal compliance.
- Communicate, communicate, communicate!

speaking highly of their company, strive to work hard and “go the extra mile” and stay with their employer. A paid parental leave policy can go a long way toward increasing the company’s reputation as an employer of choice that cares about employees and their lives. In short, parental leave is a true win-win—good for employees and employers.

Here’s a word to the wise, though: To be successful, the culture of the organization must truly support employees taking parental leave, and managers must be on board. It’s not enough to *offer* parental leave; employees must feel empowered to *take* leave, without negative consequences to their jobs and career progression. For example, because of existing cultural barriers in many organizations, men often do not take advantage of paternity leave even when offered. Powerful communication and leaders demonstrating their commitment and leading by example can make all the difference.

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Reprinted from the Third Quarter 2016 issue of *BENEFITS QUARTERLY*, published by the International Society of Certified Employee Benefit Specialists. With the exception of official Society announcements, the opinions given in articles are those of the authors. The International Society of Certified Employee Benefit Specialists disclaims responsibility for views expressed and statements made in articles published. No further transmission or electronic distribution of this material is permitted without permission. Subscription information can be found at iscebs.org.

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Is Parental Leave Feasible? Is It Right for Your Organization?

So why aren’t all companies offering parental leave? Though paid parental leave programs are on the rise, these policies are not a “one-size-fits-all” approach, and there are many challenges. Beyond the cultural barriers of providing extended leave, there is the practicality of replacing employees on leave and the cost of doing so. Even though workplace cultures have changed dramatically in recent years, many employees still fear adverse consequences of taking extended time off. Finally, extended paid leave places a burden on managers in scheduling and meeting business needs.

The devil is in the details. An effective parental leave policy must be crafted carefully to ensure employees and managers can make it work, to overcome any cultural barriers of the organization and to meet the demands of the business. Equally as important, the communication of a parental leave policy should be informative and genuine and validate the company’s work-life philosophy. Finally, managers must be empowered and held accountable for ensuring that parental leave becomes part of the cultural fabric of the organization. (See the “Key Steps” sidebar.)

Is paid parental leave in your future? What can you do today? Look at your culture and work-life offerings, review your current leave policies and listen to your employees to see if a more generous paid parental leave program is feasible and makes sense for your business. Think about the workforce of tomorrow and the impact an expanded policy might have on your ability to recruit, engage and retain talent. Then decide if you’re ready to get on the train. 

Endnotes

1. Aon Hewitt Benefit SpecSelect™ 2015.
2. Barbara Gault, Ph.D., Heidi Hartmann, Ph.D., Ariane Hegewisch, Jessica Milli, Ph.D., and Lindsey Reichlin, *Paid Parental Leave in the United States, What the Data Tell Us About Access, Usage, and Economic and Health Benefits*, Institute for Women’s Policy Research, March 2014.