



BACKGROUND

In the United States, only 14% of the workforce is covered by employer-sponsored paid family leave, a 3% increase since 2010. This coverage is primarily reserved for full-time workers and those with income levels far above the average ([Why Paid Family Leave is Good for Business](#), BCG, February 2017).

As of January 2017, 71.3% of American women with children under 18 are working outside of the home, while over 10 million individuals are taking care of an elderly parent ([Alleviating the Stress on Working Families: Promoting Family Friendly Workplace Policies](#), NCFR, January 2017). In combination, individuals who would benefit from paid leave to care for sick children and family members, to raise younger children, and to act as caretakers for elderly parents and relatives present an opportunity for employers to meet both employee and organizational needs.

The VOI of Paid Family Leave: Employer Perspective

In a 2016 report, AARP summarizes the benefits and costs of family-friendly policies, including paid family leave, to the employer as follows:

Figure 2: Benefits and Cost of Family-friendly Policies – Employer Perspective

Benefits						
Human Capital		Productivity • Less distraction • Better health		Finances		
Recruitment	Retention/ turnover	Absenteeism (lost work time)	Reduced performance at work	Health care cost	Profit	Share price/ enterprise value
Costs						
Direct Cost		Indirect Cost				
Cost of payouts		Benefit set-up • Updating payroll system • Educating employees • Handbooks, materials, equipment (e.g., for telecommuting)		Benefit administration • Determine eligibility • Handling requests and appeals • Friction cost - Complexity of scheduling - Cost of adding backup capacity		

[Determining the Return on Investment: Supportive Policies for Employee Caregivers](#), AARP and ReACT, 2016

A policy brief from the National Council on Family Relations reports that ([Alleviating the Stress on Working Families: Promoting Family Friendly Workplace Policies](#)):

- In empirical studies, family leave, such as that which is available through FMLA, encourages “new mothers to return to the workplace after the birth of their child, encourages more rapid recovery from illness, and assists with keeping elders out of nursing homes.”
- For employers, businesses that offer paid leaves have “a lower rate of employee turnover, and...such policies foster a more productive and loyal environment.”

Competitive and Industry Leadership

Financial services, technology, and professional services firms are among those leading the charge for offering and expanding paid family leave benefits, often as a recruitment tool within a relatively small talent pool ([Why Paid Family Leave is Good for Business](#)).

- According to the Bureau of Labor Statistics, paid family leave coverage in finance, insurance and information, professional services, scientific industries, and technology services grew by 10% between 2010 and 2016.
- In the finance and insurance sectors, specifically, approximately 40% of workers have paid family leave coverage, compared to the 14% national average.

Talent Attraction and Retention

As an employer-sponsored benefit, paid family leave is very attractive to potential employees and may even serve as a deciding factor in the company they choose to apply to or work for:

- A 2016 study from Deloitte indicates that 77% of “workers with access to benefits reported that the amount of paid parental leave had some influence on their choice of one employer over another” ([Why Paid Family Leave is Good for Business](#)).
- Hypothetical testing on college undergraduates published in *The Personnel Review* suggested that “elder care benefits and paid leave would influence the job choices of 33%” of those surveyed ([Determining the Return on Investment: Supportive Policies for Employee Caregivers](#)).

Paid family leave is can also be a critical factor in company’s employee retention rates, particularly among working mothers:

- Findings from one study indicate that women who take paid leave are 93% more likely to be in the workforce 9-12 months after giving birth than those who do not take leave ([Why Paid Family Leave is Good for Business](#)).
- Paid leave also makes it more likely that women will return to the same employer after their leave period, even among low-wage workers and industries.
 - **Corporate Example:** Google’s increase in paid maternity leave from 12 weeks to 18 weeks translated to a 50% decline in its rate of female turnover after maternity leave ([Why Paid Family Leave is Good for Business](#)).

Employee Productivity and Engagement

Access to paid family leave, whether for new parents, parents of older children, and caretakers of sick children, parents, or relatives, functions as a morale booster for employees and an impetus for increased productivity:

- A 2016 EY study of 1500 employers found that over 80% of companies offering paid family leave reported a positive impact on employee morale, while over 70% of such companies reported an increase in employee productivity ([Why Paid Family Leave is Good for Business](#)).
- The AARP reports that economic models first developed in 2001 estimate a 2.5% percentage point increase in operating profit margin associated with offering paid family leave ([Determining the Return on Investment: Supportive Policies for Employee Caregivers](#)).

External and Internal Company Perceptions

Organizations that offer paid family leave may benefit from what the Boston Consulting Group calls a “halo effect for those [companies] that take an early position on this issue or design their policies in an innovative way.” Adding, expanding, or redesigning paid family leave benefits often leads to widespread press coverage that sheds a positive light on the company ([Why Paid Family Leave is Good for Business](#)):

- **Corporate Example:** In the 24 hours following IKEA’s announcement that it would be enhancing its paid family leave policy, the company was featured in a number of major media outlets, including the *Wall Street Journal*, *Fortune*, *Forbes*, and the *Washington Post*.

Within a company, BCG reports that paid family leave benefits can demonstrate the company’s commitment to stated values and inclusive culture ([Why Paid Family Leave is Good for Business](#)):

- Paid family leave can “signal a company’s commitment to employees” and “can enable a company to show its support for diversity and equality through policies that are gender neutral, that provide leave to care for sick family members, and that cover same-sex couples, adoption, surrogacy, and foster care.”

PAID FAMILY LEAVE BENEFITS BEYOND MATERNITY AND PATERNITY LEAVE

While perhaps not as prominent in conversations about employer-sponsored leave, paid family leave benefits for caretakers- those that are caring for sick children, parents, and relatives- can be equally important for employees ([Time Off to Care for a Sick Child - Why Family-Leave Policies Matter](#), *The New England Journal of Medicine*, August 2014):

- Research from physicians published in the *New England Journal of Medicine*, for example, “shows that there is a substantial unmet need for leave to care for chronically ill children.”
 - Healthcare, particularly pediatric care, now heavily involves patients’ families. With the shift in focus in the late 1990s to home healthcare alternatives where possible, as opposed to inpatient treatment, there “has been a gradual (and now accelerating shift) in the degree to which hospitals transfer care and costs to the homes and hands of parents.”
- While parents who take leave to care for their children believe that doing so positively affected their child’s health, they often also experience a financial strain as a result of taking leave, particularly if it is unpaid.
 - Of parents who take leave to care for sick children, “over 40% reported returning to work sooner than was appropriate for their child.”

Leave benefits for the care of sick relatives, in addition to the aforementioned benefits that apply generally to paid family leave, can add value to a company by increasing the participation and productivity of those serving in the dual role of caretaker and employee:

- Studies on paid leave policy initiatives in California and Connecticut, particularly with respect to paid sick days for the care of self or family members, found that such benefits do not have a negative effect on business profits on a net basis ([Alleviating the Stress on Working Families: Promoting Family Friendly Workplace Policies](#)).
 - Instead, such benefits reduce the rate of employees taking “unnecessary sick days” and increase employment in the areas in which they are made available.
- Following the implementation of paid family leave policy In California, the labor force participation of unpaid caregivers increased by 8% in the short-term and by 14% in the long-term ([The Importance of Paid Leave for Caregivers](#), *Center for American Progress*, September 2017).
- Global studies focused on Japan, Sweden, and the United Kingdom have demonstrated that increased workplace flexibility, such as offering paid sick days or telecommuting options, leads to higher levels of employee retention ([Alleviating the Stress on Working Families: Promoting Family Friendly Workplace Policies](#)).

CORPORATE EXAMPLES

Deloitte: In September 2016, Deloitte expanded its paid family leave benefit to allow all employees the opportunity to take up to 16 weeks of paid leave to care for a family member, including a new child, spouse, or parent. Previously, Deloitte employees could take up to eight weeks of paid leave if they were new parents or primary caregivers and up to 3 weeks of paid leave if they were non-primary caregivers ([Deloitte Enters the Paid Leave Arms Race with 16 Weeks of Family Leave](#), *Fortune*, September 2016).

Facebook: Facebook’s rework of its family leave policies, in addition to adding 10-20 days of paid bereavement leave, grants employees up to “6 weeks of paid leave to care for sick relatives and 3 days of paid sick time to care for family dealing with short-term illness, like the flu” ([Why Facebook’s New Leave Policy Might Actually Work](#), *Fortune*, February 2017).

LinkedIn: LinkedIn, which was purchased by Microsoft in 2016, implemented a family care leave benefit in 2014 that grants U.S. employees 6 weeks of paid leave to care for sick family members ([Microsoft Expands Paid Family Leave for Caregivers](#), *Fortune*, June 2017)

Microsoft: In June 2017, Microsoft replaced its 12 weeks of unpaid leave for the care of a sick relative with a combined 4 weeks of paid leave and 8 weeks of unpaid leave. This leave can be taken by employees with a close family member “suffering from a serious health condition as defined by the Family Medical Leave Act” ([Microsoft Expands Paid Family Leave for Caregivers](#)).

Shawmut Design and Construction: Shawmut leads the construction industry by offering a Paid Family Leave Benefit through which employees can take up to four weeks of paid leave in the event of a birth, adoption, or foster care placement or to care for a family member who has a serious health condition or illness ([Shawmut Design and Construction](#), *Great Place to Work*, July 2017).