



## *...And a Baby Makes Three (Months Off)*

PAID PARENTAL LEAVE AT 15 HIGH TECHNOLOGY FIRMS | AUGUST 2016



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## About IBI

Founded in 1995, the Integrated Benefits Institute (IBI) is a national, nonprofit research and educational organization focused on workforce health and productivity. IBI provides data, research, tools and engagement opportunities to help business leaders make sound investments in their employees' health. IBI is supported by more than 1,100 member companies representing over 20 million workers.

For more information about IBI's programs and membership, visit [ibiweb.org](http://ibiweb.org).

## Acknowledgments

The authors of this report are Brian Gifford, PhD, Betty Zong, and Jackie Presutti.

The authors would like to thank the human-resources and benefits professionals at major technology firms for their frank and open discussion of the promising efforts and remaining challenges to successful paid parental leave policies.

Additionally, the authors would like to thank Silicon Valley Employers Forum for nominating participants and assisting in coordinating the interviews. Finally, the authors thank the IBI Board of Directors for continued guidance in this area of growing interest.

## Executive Summary

As of 2015, only 12% of U.S. workers had access to paid family leave. However, recent announcements of generous paid leave benefits by some high tech and financial services firms, followed by legislative actions on their home turfs of San Francisco and New York, have pushed the discussion into the national spotlight.

To learn why some companies are adopting paid family leave, how they are balancing their policies with other business imperatives, and what human capital management challenges they face, IBI conducted in-depth interviews with human resources (H.R.) and benefits professionals at 15 major technology firms.

For the companies interviewed, a typical leave policy for birth mothers begins with leave for pregnancy under a disability policy for 8 weeks. During this time, the employer pays the difference between the employee's disability wages and her normal salary. At the end of the disability leave, the birth mother is allowed an additional 6 weeks of "bonding time" at 100% of her salary. In all, a new birth mother is allowed 14 weeks off with full pay, costing the employer about 17% of her annual salary. A typical leave policy for all other new parents is 6 weeks off, fully paid by the employer. This costs an employer 12% of the employees' annual wages.

## Motivations for Offering Paid Parental Leave

**Competing for talent:** Several companies said their policy was inspired by a need to keep up with what other Silicon Valley businesses are doing. On the other hand, companies saw limits to how much they needed to keep up in the parental leave "arms race."

**Creating family-friendly work environments:** Several companies mentioned that they designed parental leave policies to establish more "family-friendly" or "employee-friendly" workplaces. This includes giving parents time to bond with a newborn or adopted child, and to help employees strike a greater balance between their work and home lives.

**Formalizing leave policies:** Companies also said that changes in parental leave policies were designed to clarify, simplify and formalize current practices. Another goal was to standardize informal arrangements between employees and supervisors - which are seen as financially disadvantageous to birth mothers whose time away from work was officially tracked for disability and FMLA benefits.

## Parental Leave Not Expected to Hinder Business Performance

H.R. departments' and supervisors' experiences with leaves taken informally and under disability/FMLA have prepared them to maintain operations during a new parent's absence. In spite of the additional compensation for leave-takers, companies do not anticipate an overwhelming demand for time off given their high-intensity, accountability-driven corporate cultures.

## Key Lessons for Employers

### Lesson 1: Design the policy for what your business is trying to accomplish

Prioritize goals such as competing for talent, supporting employees' family situations, ensuring fairness and maintaining high productivity and seek to strike the right balance. Adapt policies to existing benefits in ways that fit your particular work culture. Take guidance from executives and incorporate input from employees. Work with supplier partners to ensure that any policies comply with EEOC rules and any state and local laws.

### Lesson 2: Leverage FMLA and disability experiences to help maintain business performance

Develop guidance for supervisors who face the temporary absence of a team member. Use current FMLA birth and adoption leaves as a baseline metric for the demand for paid parental leave and measure important business performance metrics before and after the plan goes into effect.

### Lesson 3: Focus on improving RTW experiences

Bringing a new parent back into their work routine after a long absence is a challenge. Most companies that mentioned return-to-work challenges felt that they did not have a good approach even for disability leaves generally. Returns from long parental leaves could add even more complexity given the stresses of new parenthood. Transitional periods of part-time scheduling or limited duties can help facilitate a smooth return-to-work experience. Ensure that employees are aware of employee assistance programs, and include resources that address the emotional and logistical concerns of new parents, such as coordinating day-care services, managing new expenses, flexible scheduling, or dependent care assistance programs.

## Introduction

In 2012, 80% of Americans favored paid leave for parents who take time away from work to care for a child, and 66% of Americans believed that employers should bear all or part of the costs.<sup>1</sup> However, the availability of paid parental leave does not match this overwhelming public support. The U.S. is the only developed nation that does not guarantee paid leave from work for new parents.<sup>2</sup> As of 2015, only 12% of U.S. workers had access to any paid family leave.<sup>3</sup>

In recent months, however, paid parental leave has emerged as one of the most discussed human resources (H.R.) issues in the country. Announcements of generous leave benefits by high tech and financial services firms followed by legislative actions on their home turfs of San Francisco and New York have pushed the discussion into the national spotlight. This raises the question of whether paid parental leave has the momentum to become widely available in other industries or whether it will remain a perk for high-wage, high-skill Silicon Valley and Wall Street workers. What are the productivity and lost-time implications of such policies if a greater number of new parents take more time away from work? How might companies in other industries adapt if paid parental leave becomes the law in more states and municipalities?

Answering these questions entails understanding the early adopters' parental leave policies, what they are trying to accomplish, and how they balance the generosity of their policies with other business imperatives. For insight, we sought answers directly from H.R. and benefits professionals who have been involved in designing, implementing and administering paid parental leave policies at 15 Silicon Valley technology firms. These conversations – coordinated with assistance from the Silicon Valley Employers Forum<sup>4</sup> – covered the types of parental leave policies companies offer or are considering, the objectives for their policies, and any operational or human capital management challenges they have encountered.

## The Emergence of Paid Parental Leave as a Corporate Priority

Under the Family and Medical Leave Act (FMLA), U.S. workers have access to 12 weeks annually of job-protected, unpaid time off due to illness or to care for a family member with a serious medical

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<sup>1</sup> IBI's calculation of data from the General Social Survey. Smith, Tom W, Peter Marsden, Michael Hout, and Jibum Kim. General Social Surveys, 1972-2014 [machine-readable data file]. Sponsored by National Science Foundation. -NORC ed.- Chicago: NORC at the University of Chicago [producer and distributor]. Data accessed from the GSS Data Explorer website at [gssdataexplorer.norc.org](http://gssdataexplorer.norc.org), May 6, 2016.

<sup>2</sup> Addati, Laura, Naomi Cassirer and Katherine Gilchrist, 2014, *Maternity and Paternity at Work: Law and Practice Across the World*, Geneva: International Labour Organization.

<sup>3</sup> Department of Labor, U.S., Bureau of Labor Statistics, 2015, National Compensation Survey <<http://www.bls.gov/ncs/ebs/benefits/2015/ownership/private/table32a.htm>>

<sup>4</sup> <http://www.sveforum.org/>



condition. Since the passage of FMLA in 1993, however, paid parental leave has drawn only sporadic public attention. For example, as indicated by major media reporting between 2009 and 2014 shown in Figure 1<sup>5</sup>, paid parental leave made the headlines only occasionally. The first cluster of stories appeared in mid-2009 when an act to provide paid family leave to federal employees was introduced in Congress. New Jersey's paid family leave policy took effect about this same time (California's paid family leave law took effect in 2002). Other spikes in media coverage followed government and think-tank reports on women's access to paid parental leave, the hiring of Marissa Mayer as CEO of Yahoo! (with attention given to the acknowledgment that Mayer was pregnant at the time) and the publication of *Lean In: Women, Work, and the Will to Lead* by Facebook COO Sheryl Sandberg.

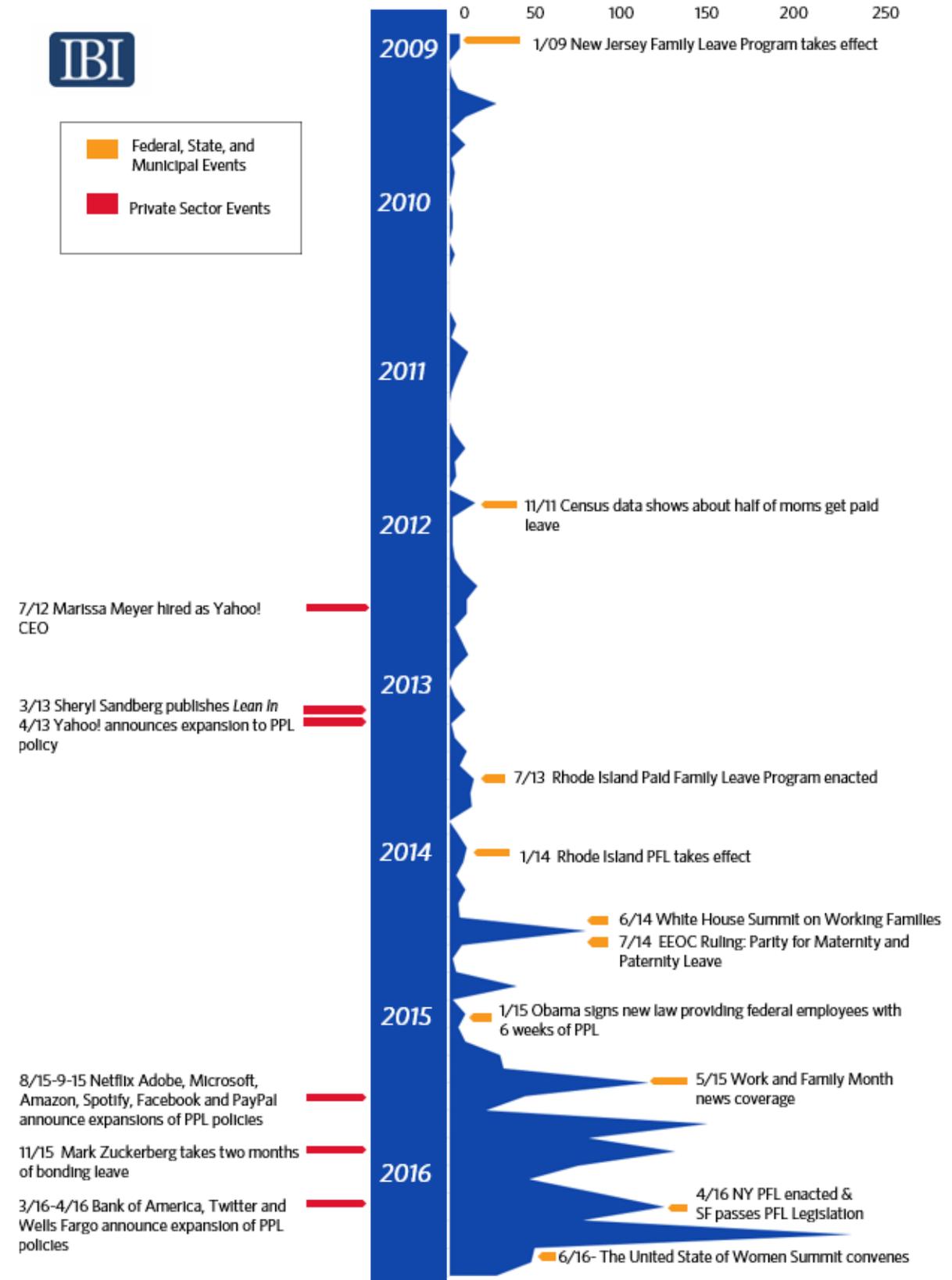
What appears to have set in motion the sustained attention to paid parental leave was the White House Summit on Working Families in June 2014. The event brought together members of several coalitions working on issues such as paid parental leave, paid sick time, flexible scheduling, and equal opportunities in the workplace. This was followed in short order by the Equal Employment Opportunity Commission's (EEOC) July 2014 ruling clarifying that paid parental leave is separate from medical time off for childbirth, and that employers who offer paid parental leave must do so for men and women on equal terms.<sup>6</sup>

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<sup>5</sup> Our method for tabulating media stories is described in the appendix.

<sup>6</sup> Equal Employment Opportunity Commission, June 25, 2014, "EEOC Enforcement Guidance on Pregnancy Discrimination and Related Issues." <[https://www.eeoc.gov/laws/guidance/pregnancy\\_guidance.cfm](https://www.eeoc.gov/laws/guidance/pregnancy_guidance.cfm)>

Figure 1: Monthly media stories about “parental leave”



What followed was an unprecedented number of press releases by private sector companies announcing changes and additions to their own paid family leave policies. These releases, made primarily by companies in the finance and high tech sectors,<sup>7</sup> were then picked up as stories in major news outlets. The majority of these announcements preceded the passage of paid family leave laws by San Francisco in March 2016 and by New York State in April 2016.

## What do High Tech Companies Say about their Paid Parental Leave Policies?

Despite the attention paid to the companies that are adopting paid parental leave benefits, what corporate policies actually look like – and how they impact business outcomes in practice – remains an open question. For answers, IBI conducted in-depth interviews with H.R. and benefits professionals from 15 U.S.-based, publicly traded companies.

All interviews occurred in March 2016. The companies interviewed operate in the high tech sector,<sup>8</sup> including computer and electronics design and manufacturing, software publishing and Internet content providers. The median company employed 15,000 workers; none employed fewer than 6,000 and the largest employed more than 100,000 worldwide. Five companies were founded prior to 1980; five were founded during the 1980s; and five were founded since 1990.

## Typical Leave Policies

Most of the companies reported some form of paid parental leave benefits – almost all of which were adopted or enhanced within the last year. A summary of the different companies' policies is included in the Appendix.

In compliance with EEOC rules, the typical leave policy was standard for all new parents but starts for birth mothers at the conclusion of disability leave taken for pregnancy and birth. As a result, leave durations vary between birth mothers and all other parents.

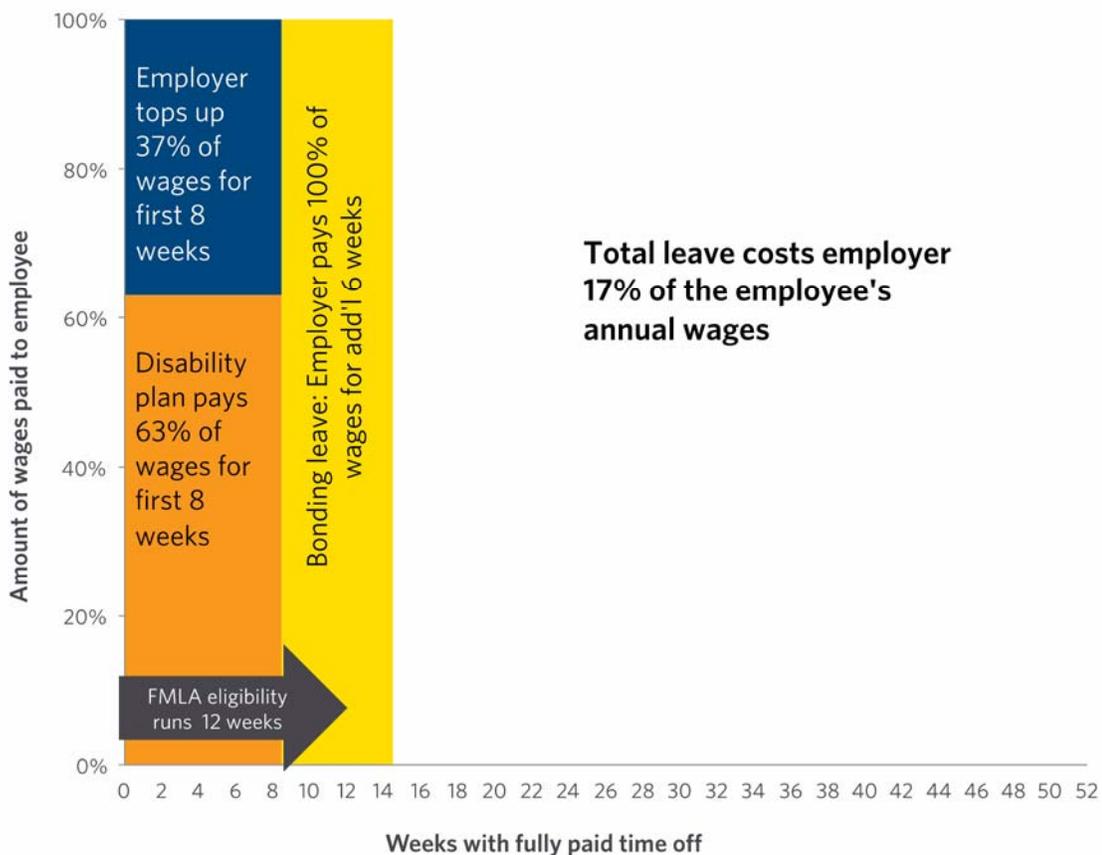
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<sup>7</sup> A partial list of companies that publicly announced changes to their paid parental leave policies since the EEOC ruling includes Accenture, Adobe, Amazon, Bank of America, Blackstone Group, Credit Suisse, Deloitte, Ernst & Young, Facebook, Goldman Sachs, Grant Thornton, JP Morgan, Microsoft, Netflix, Spotify and Wells Fargo. See Silverman, Rachel Emma, "Wall Street Perk: Parental Leave," Wall Street Journal, November 30, 2015. <<http://www.wsj.com/articles/wall-street-perk-parental-leave-1448927064>>; Tepper, Taylor, "Facebook Workers Just Got a Better Parental Leave Policy. Here's When You'll Get Yours," Money, December 3, 2015 <<http://time.com/money/4129990/facebook-paid-parental-leave/>>; "Netflix, Google, Facebook, and 13 other companies with extremely generous parental leave policies in America." Business Insider. <<http://www.businessinsider.com/generous-parental-leave-policies-in-america-2015-8>>.

<sup>8</sup> All companies had a large presence in "Silicon Valley" although some were headquartered in other geographic areas. All had employees throughout the U.S. and, in some cases, internationally. Unless otherwise noted, the conversations focused on policies available to U.S. workers.

Figure 6 illustrates a typical leave policy for birth mothers. A mother takes leave for pregnancy under a disability policy<sup>9</sup> for 8 weeks, which may begin as much as 4 weeks before birth. During this time, the disability policy pays a portion of her wages – about 63% for the average U.S. private sector worker.<sup>10</sup> The employer then “tops up” her wages to 100% of her earnings, paying 37% of her salary to make up the difference. At the end of the allowed 8 weeks of disability leave, the birth mother is allowed an additional 6 weeks of “bonding time” during which the employer pays 100% of her salary (or between 70% and 75% untaxed). In all, a new birth mother is allowed 14 weeks off with full pay (27% of the work year), costing the employer 17% of her annual wages. This exhausts the entirety of her annual eligibility for job-protected time off under the laws of the federal Family and Medical Leave Act (FMLA).

Figure 2: Typical paid parental leave for birth mothers: 14 weeks

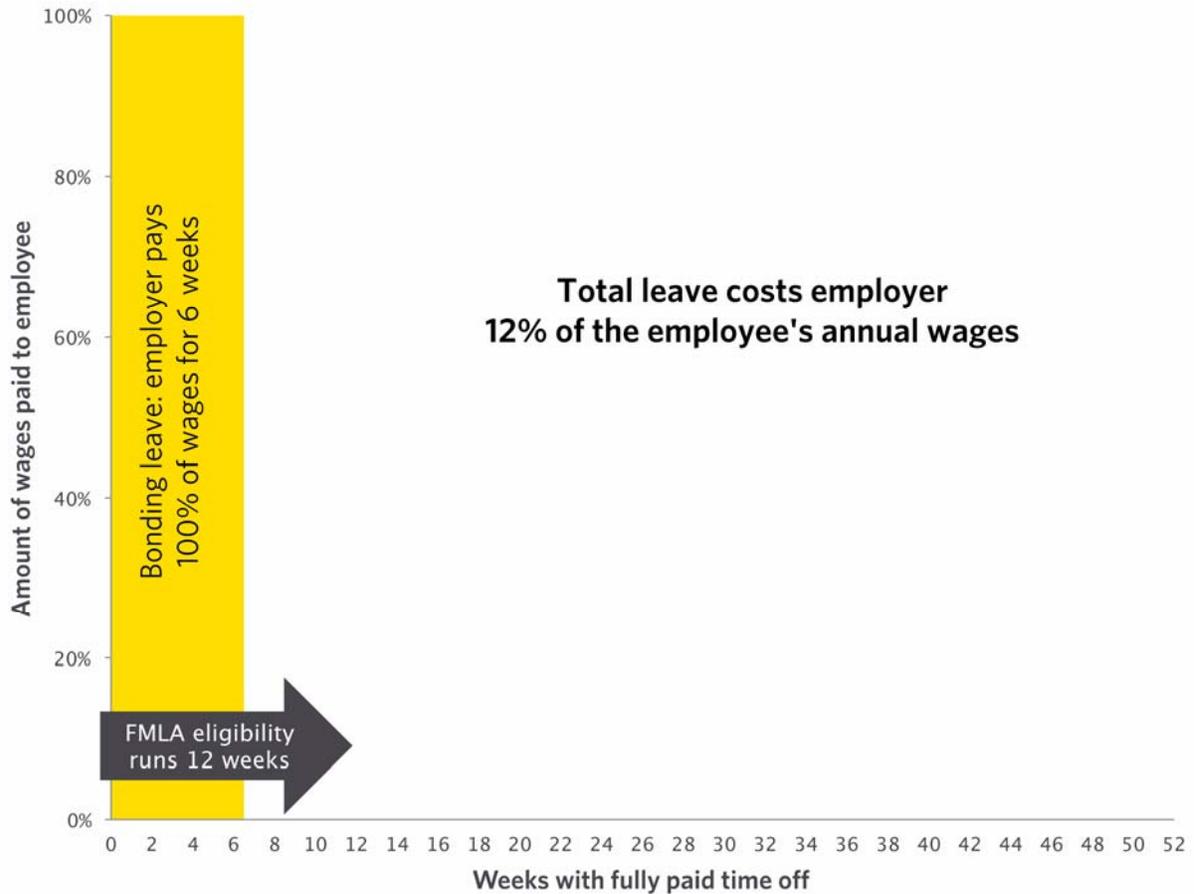


<sup>9</sup> In principle, the disability policy could be employer-provided or state-mandated (as in California, Hawaii, New York, New Jersey and Rhode Island). Nearly all companies interviewed provided disability insurance.

<sup>10</sup> U.S. Department of Labor, Bureau of Labor Statistics, “National Compensation Survey – Benefits,” 2015. <<http://www.bls.gov/ncs/ebs/home.htm>>

Figure 3 shows a typical leave policy for all other new parents – 6 weeks off, fully paid by the employer. This costs an employer 12% of the absent employees’ annual wages, and exhausts half of his or her annual eligibility for job-protected time off under FMLA.

Figure 3: Typical paid parental leave for other new parents: 6 weeks



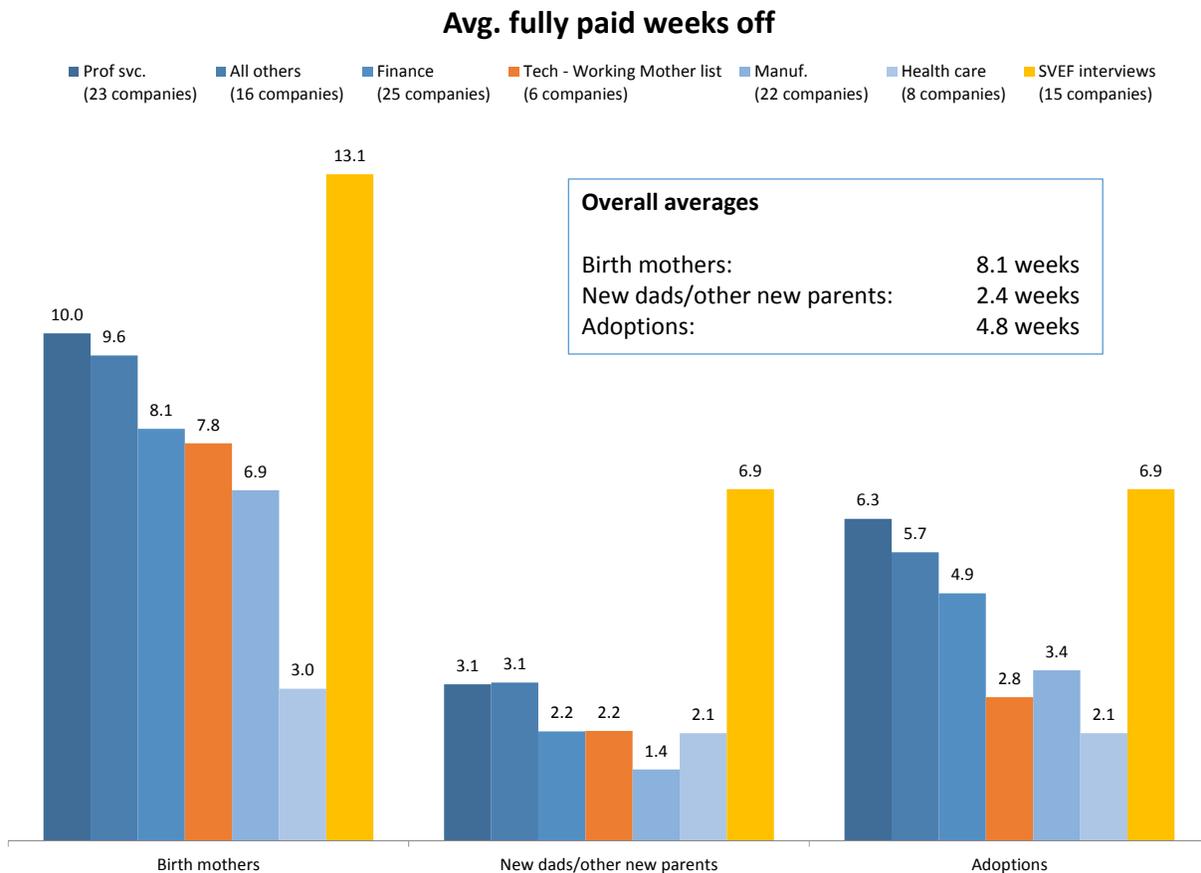
Obviously, the policies described in Figures 6 and 7 mask the variation among the 15 employers. Six companies allowed 16 or more weeks of fully paid leave for birth mothers (8 weeks under disability and 8 weeks under a parental bonding leave), and 8 or more weeks for other new parents. Five companies *did not* top up wages for birth mothers on disability, or for other new parents who were entitled to partial paid family leave under state law in California, New Jersey or Rhode Island.

The parental leave policies of the interviewed companies as a whole compare well to some of the more generous benefits offered by companies on *Working Mother's* "2015 Hundred Best Companies: Paid Family Leave Report."<sup>11</sup> As Figure 8 shows, the average company on the *Working Mother* list offered 8

<sup>11</sup> Working Mother Research Institute, 2015. <  
<http://www.workingmother.com/sites/workingmother.com/files/attachments/2015/09/wm100bestpaidleavefinal.pdf>>

weeks of paid leave to new mothers, 2.4 weeks for new fathers and 5 weeks for new adoptions. The 6 high tech companies listed in the *Working Mother* report were essentially average in terms of birth mothers and new fathers (as was the finance industry, perhaps not coincidentally) and lagged behind the average for new adoptions. By contrast, the average durations of leave among the companies that IBI interviewed one year later place high tech companies well ahead of the *Working Mother* average, higher even than professional services companies.

Figure 4: Recent benefits policy changes potentially move high tech firms to the front of parental leave



Source: *Working Mother Research Institute; Integrated Benefits Institute*

## Parental Leave in Practice: Purposes of (Adopting New) Leave Policies

After gaining a basic understanding of each company’s parental leave policies, the remainder of each conversation focused on what each company sought to achieve, how they balanced new parents’ time off with other business imperatives, and any challenges they encountered in designing and implementing their policies. Companies interviewed described four main motivations for adopting or enhancing their paid parental leave benefits.



## Competing for Talent

Since the end of the Great Recession in June 2009, the unemployment rate among tech sector workers fell by 55% (from 10% in June 2009 to 4.6% in June 2015) compared to a 44% drop for the rest of the economy (from 9.5% to 5.3% over the same period).<sup>12</sup> This places pressure on companies in competition to attract and retain talent.<sup>13</sup>

Several companies said their policy was inspired by a need to keep up with what other Silicon Valley businesses were doing [interview 4, 5, 6, 8]. They felt pressure from high-profile media announcements of what are seen as generous leave policies. One participant said simply, “paid parental leave just seems like the thing to do nowadays,” [interview 10]. Employees also intensify the pressure for more generous leave policies, expressing their preferences for paid parental leave formally (e.g., presentations to top management, focus group discussions) as well as informally (e.g., hallway conversations, postings on social media) [interview 15]. In other cases, the decision to change policies originated with senior leaders themselves.

On the other hand, companies saw limits to how much they needed to keep up in the parental leave “arms race” [interview 1, 15]. Some expressed skepticism about whether employees at their company or any high-profile Silicon Valley firms could feasibly use generous leave policies without damage to their career [interview 6, 15]. This reflects a prevailing view of Silicon Valley’s fast-paced, high-performance, results-oriented culture – a view typified by Patty McCord’s<sup>14</sup> public comments describing Netflix’s culture of performance: “adequate performance gets a generous severance package.” Instead, companies described leave policies designed to be “competitive ... but not number one,” [interview 14] or said they “had no interest in being the leading edge or the bleeding edge” of leave policy [interview 2]. The strategy is to provide an amount of time off that employees reasonably could and would use, packaged to communicate with current and prospective employees. One company described this approach to developing policy as a way out of the benefits arms race:

“These decisions take months to vet out ... you’re doing what’s best for your company ... and suddenly, what you thought was your best benefit and you just announced it, the next day somebody else comes out with something even richer. Nobody can expect that. Nobody can plan for that.” [Interview 4]

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<sup>12</sup> IBI’s analysis of the Bureau of Labor Statistics’ Current Population Survey (CPS) monthly data for 2009-2015. Sarah Flood, Miriam King, Steven Ruggles, and J. Robert Warren. Integrated Public Use Microdata Series, Current Population Survey: Version 4.0. [Machine-readable database]. Minneapolis: University of Minnesota, 2015. Our definitions of high-tech and finance industries are provided in the appendix.

<sup>13</sup> Unemployment among finance sector employees fell even further than among tech sector employees – down to 2.6% in June 2015 from 6.0% in June 2009 (a 55% decline). This could help explain why companies in the finance sector also very actively and publicly adopted paid parental leave.

<sup>14</sup> McCord was instrumental in developing the famous “Netflix Culture” slide deck <<http://www.slideshare.net/reed2001/culture-1798664>>. She spoke at length about Netflix’s performance culture for an episode of National Public Radio’s “Planet Money” (Episode 647: “Hard Work Is Irrelevant,” August 28, 2015). <<http://www.npr.org/templates/transcript/transcript.php?storyId=435583328>>

## Corporate Social Values

Competitive pressures often lead companies to copy one another's practices – even in the absence of evidence that the practices contribute to superior performance.<sup>15</sup> Organizations also face pressures to act in ways that are consistent with prevailing social expectations.<sup>16</sup> These pressures often originate externally – from government regulations or public opinion– and influence policies in ways that complement internal business needs and values.<sup>17</sup>

Several companies mentioned that their parental leave policies were developed to reflect larger social values. Companies mentioned that they designed parental leave policies to establish more “family-friendly” or “employee-friendly” workplaces [interview 1, 4, 9]. This includes giving parents time to bond with a newborn or adopted child, and to help employees strike a greater balance between their work and home lives. “First and foremost, we think it's the right thing to do for employees and their families. This is a significant life event and it's a critical time in the child's development and establishment of the family.” [Interview 14]

While companies cited the intrinsic value of doing the right thing, they also recognized the positive signal family-friendly policies send to current and prospective employees. In this respect, demonstrating commitment to employees' family needs overlaps with the goal of competing for talent. This was the case particularly with regard to the high tech sector's perceived gender imbalance. This perception is rooted in demographics – women made up about 30% of high tech sector employees throughout the last decade<sup>18</sup> – but also in a corporate culture that has been characterized (fairly or otherwise) as unfriendly to female employees.

Respondents believe that demonstrating commitment to families also is a way to deepen current employees' commitment and loyalty to the firm, with the expectation that employees who were well-supported on leave would “come back to work with more energy, more passion [and be] more dedicated, more devoted to themselves and to the company.” [Interview 1] There was also a feeling that even employees who likely will not take parental leave could take pride in working for a company that supports its employees [interview 1, 6].

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<sup>15</sup> DiMaggio, Paul J. and Walter W. Powell. 1983. “The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields.” *American Sociological Review*. 48(2): 147-160.

<sup>16</sup> Meyer, John W. and Brian Rowan. 1977. “Institutionalized Organizations: Formal Structure as Myth and Ceremony.” *American Journal of Sociology*. 83(2): 340-363.

<sup>17</sup> Companies also described changes in state and local laws as influences on their leave policies. However, the most significant laws were enacted well before the current attention on parental leave (California's paid family leave was enacted in 2002, New Jersey's in 2008), or after many of the highest-profile public announcements (San Francisco and New York state announced in April 2016, after most of the interviews for this study were completed).

<sup>18</sup> IBI's analysis of (CPS) monthly data for 2009-2015.

## Formalizing leave policies

Companies also said that changes in parental leave policies were designed to clarify, simplify and formalize current practices. Some described employees' dissatisfaction with policies that had complex rules for determining the amount of time they could take off and how much compensation they would receive. The uncertainty about leave eligibility typically arose from trying to coordinate employees' eligibility for short-term disability (STD) benefits – in the case of birth mothers – with other leave categories such as vacation, paid-time-off banks, and mandated paid family leave benefits in some jurisdictions (e.g., California, New Jersey and Rhode Island) but not others. Establishing a single rule for all new parents was seen as key way to simplify both administration and communications.

Companies' attempts to establish a single policy did not always result in uniform leave durations for different categories of new parents. Only four of the 15 companies interviewed established rules that were the same for all new parents who qualified for parental leave. The rest of the companies implemented one set of policies for birth mothers (with different leave durations according to whether or not the delivery was caesarean) and another set of policies that applied to new fathers, new non-birth mothers, and new adoptive parents. Two companies [interview 9 and 13] differentiated between primary and secondary caregivers – although only one of these required new parents to sign an affidavit attesting that they were the primary caregiver. Most companies extended paid parental leave to all employees, without regard to tenure, location or exempt-status. In two cases, companies limited paid leave only to employees who qualified for FMLA job-protected leave, working at least 1,250 hours for the company during the previous twelve months [interview 2, 5].

For some companies, developing and announcing leave policies was a way of recognizing and formalizing informal arrangements that allowed new parents time away from work with pay. While birth mothers' time away was officially tracked because they filed for STD benefits and made FMLA requests, other new parents – particularly new fathers – coordinated time off or modified work routines with their supervisors without making official leave requests [interview 6, 8, 9, 11, 12, 15]. This was not seen as a problem in and of itself, provided that informal arrangements satisfied new parents and their supervisors.

However, the widespread use of informal leave arrangements posed several challenges. First, H.R. departments did not feel they had an accurate sense of the unmet need for parental leave. Second, new fathers (and adoptive mothers) can more feasibly coordinate modified work arrangements than can birth mothers.<sup>19</sup> It was felt by some that this situation inadvertently stigmatizes women's time off. As one benefits professional put it:

“We want men to feel comfortable that they can take the full amount of leave ... because we want to level the playing field a bit between the amount of time a woman takes and a man takes. Because we hear that women feel that when they take the full amount of time, they might be missing out on career opportunities and the next job. They feel that it hinders them.” [Interview 12]

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<sup>19</sup> One company [interview 14] also contrasted non-exempt employees, who work scheduled time and must request leave formally, with exempt employees who had more control over their own schedule.

By contrast, a policy that made men's leaves more visible (and financially attractive) could foster a more equitable work environment. Finally, it was felt that supervisors' discretion without clear policy guidance could result in arbitrary decisions about who could work modified routines at full pay, and who would need to invoke job-protection under FMLA.<sup>20</sup> For companies that paid performance bonuses based on earnings, this could result in also financial penalties for formal leave-takers.

## Resolving Tensions between Leave Policies and Business Needs

For the most part, the companies interviewed do not expect more generous parental leave policies to diminish their business performance appreciably. As described above, H.R. departments' and supervisors' experiences with informal time off and leaves taken under STD/FMLA have prepared them to maintain operations during a new parent's absence [interview 8, 9]. For example, co-workers sometimes fill in to do absent employees' work and in some cases supervisors are authorized to hire temporary contract workers.

Perhaps more importantly, while companies anticipate that greater compensation will induce more new fathers to take parental leave, they do not anticipate an overwhelming demand for time off [interview 6]. Without rigorously comparing leave requests before and after implementing the new policy, a few companies nonetheless report that they have seen leave requests increase [interview 3, 7, 11, 14]. This may be an artifact of the greater transparency companies sought in the first place rather than a greater number of leaves.

As with the perception of gender imbalances, the expectation that relatively few employees will use paid parental leave is rooted in demographics. Less than 3% of all U.S. high tech sector employees had an infant under one-year-old in the household in 2015, compared to about 4% in 2005.<sup>21</sup> If these employees all took paid parental leave that matched the typical Silicon Valley policy, it would impact less than 0.5% of high tech employers' annual FTE work time.<sup>22</sup> Nor were new leave policies seen as a large financial burden since most companies were topping up existing STD benefits or state paid family leave requirements. This corroborates the findings of a 2011 study showing that California companies reported very few negative business impacts after paid family leave became state law.<sup>23</sup>

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<sup>20</sup> Notably, every interviewee who mentioned that supervisors could refuse a new parent's informal request to alter their work schedule, location or role was quick to add that they had never heard of such an instance occurring.

<sup>21</sup> CPS monthly data.

<sup>22</sup> Assuming 12 weeks off for birth mothers and 6 weeks off for all other new parents.

<sup>23</sup> "Applebaum, Eileen and Ruth Milkman, "Paid Family Leave Pays Off in California," Harvard Business Review, January 19, 2011. < <https://hbr.org/2011/01/paid-family-leave-pays-off-in.html> >

Regardless of the leave policy, companies expected employees to consider business needs when planning their leaves (though they recognized that birth mothers had less leeway than other parents about the timing of their leaves) [interview 8, 14, 15]. This expectation is not unique to the high tech sector. Grant Thornton LLP's September 2015 internal announcement of unlimited flexible time off similarly noted, "working with your manager and based on client needs, you can take off as much time as you need."<sup>24</sup>

Companies also explained that their employees understand that they are judged by their job performance [interview 6, 11, 15]. Employees are held accountable for results and cannot risk becoming irrelevant to their projects and work groups due to extended absences. Managers are similarly expected to maintain output levels and quality when a subordinate is on leave [interview 1, 12, 15]. Few companies had set policies for how supervisors should adapt to an employee's absence. For the most part, authority to hire contractors is dictated by the urgency of ongoing work and the availability of co-workers to cover an absent employee's tasks [interview 1, 15]. Some companies provided guidance for managers, such as re-prioritizing projects until an employee returns from leave or giving stretch assignments to other co-workers [interview 4, 12].

## Challenges with Paid Parental Leave

Companies interviewed described two main challenges to adopting or enhancing their paid parental leave benefits.

### Ensuring Fairness

Some companies designed parental leave policies to ensure fairness between men and women, between birth mothers and other new parents, and to resolve issues related to managers' discretion in accommodating employees' family needs. Companies also described the need to establish leave policies that were fair to employees at different life stages. While characterizing employees as generally supportive of a family-friendly work environment, some companies were concerned that employees with no interest in becoming parents – or those whose child-bearing years were behind them – might resent a special category of time off for subgroup of workers [interview 1, 2, 4, 6, 7]. As one interviewee put it, "we have a lot of forty to fifty-year-olds and a lot of mid-career hires. And as a result, we also want to see what kind of family policies will benefit that group of employees because they are clearly not the new parent demographic." [Interview 2]

To address this issue, some companies are considering allowing "family leave" consistent with FMLA (e.g., time off to take care of aging parents) and topping up unpaid portions [interview 4, 11]. Others considered enhancing a range of benefits such as increasing the 401k match, assisting with student

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<sup>24</sup> "Grant Thornton Employees' Surprised Reactions to New Workplace Policy," September 30, 2015 <<https://www.youtube.com/watch?v=2igjXj6Dwpc>>

loan repayment or improving at-work perks that appeal to employees hired just out of college (such as free food and “gadgets”) [interview 2, 6, 7].

A final fairness issue concerned those parents who were already on parental leave when a more generous policy was announced, or those who expected to go on leave between the time of the announcement and the implementation of the new policy [interview 4, 12]. These employees were seen as “falling through the cracks” through no fault of their own. However, companies viewed this as a one-time dilemma rectified by grandfathering these employees into the new policy or by accommodating them on a case-by-case basis.

### **Easing Return to Work**

Several companies described the challenges of bringing a new parent back into their work routine after a long absence [interview 6, 11, 12, 14, 15]. Again, experience with disability return-to-work (RTW) is instructive – yet most companies that mentioned the challenge of RTW felt that they did not have a good approach generally. It was felt that returns from long parental leaves could add even more complexity given the stresses of new parenthood. As one interviewee put it:

“A woman comes back from 20 weeks of leave and she gets her full workload dumped on her on day one. Managers don’t realize that it is a really big deal to come back, and you just got a new child, you’re trying to juggle your new family situation ... I just think sometimes managers don’t think through those critical things.” [Interview 11]

Another interviewee expressed a similar take from a hypothetical new parent’s point of view:

“I was off bonding with my child Sunday, and Monday I’m back working at my desk eight hours a day, putting my child in day care ... and then dealing with having a new manager now, and having an old manager who held onto stuff and pushed it all to me Sunday night before they went to bed.” [Interview 14]

To ease the transition back to work after the arrival of a new child, a few companies developed policies that allowed a period of part-time work at full pay after the paid leave period ends [interview 6, 11, 12]. This approach was reinforced with guidance for managers at the beginning and the end of the leave.

## What Does this All Mean? Silicon Valley and Beyond

Several companies in two high-profile competitive industries have very publicly adopted paid parental leave policies since the White House Forum and EEOC ruling in mid-2014. Employers in San Francisco soon will be required to top up wages for their employees on paid family leave, and New York employees soon will be entitled to paid family leave. Whether companies in industries facing different circumstances will adopt paid parental leave policies – or whether more states and municipalities will pass laws requiring it – remains an open question.



Our in-depth conversations with some companies at the forefront of the issue provide more details about what paid parental leave looks like in practice. We also gained some practical insights for other companies considering their options. These lessons certainly apply to other companies with mostly knowledge workers who are exempt from Fair Labor Standards Act rules about overtime pay. Considering the challenges faced by the firms IBI interviewed, however, lessons for companies with non-exempt workforces should not be ruled out.

### **Lesson 1: Design the policy for what your business is trying to accomplish**

Although the pressure to adopt paid parental leave is intensifying, media stories focused on extremely generous policies can make these benefits seem out of reach – operationally and financially– for many employers. Companies we interviewed took some of their competitors’ more generous policy announcements with a grain of salt. Trying to match the latest corporate policy announcement in order to capture a news cycle was seen as a losing strategy without lasting value to employees.

Instead, companies sought to balance the goals of competing for talent and supporting their employees’ family situations – whatever those situations were. They did this by adapting policies to their existing benefits in ways that fit their particular work culture. This meant taking guidance from executives and incorporating input from employees to understand how they would actually use their leaves.

The companies we interviewed had an advantage in developing policies because they participated in an industry-focused employer coalition. This gave them a good sense of similarly situated employers’ experiences. Employer coalitions in other industries could play a similar role, particularly if state and local laws requiring paid parental leave seem imminent. Carefully designed surveys of employer practices across industries also would be informative. Employers also should work with their supplier partners to ensure that any policies they implement comply with EEOC rules and any state and local laws.

### **Lesson 2: Leverage FMLA and disability experiences to help maintain business performance**

None of the companies expressed concerns that extending paid parental leave would negatively impact their ability to achieve their core business objectives. This makes sense given that most of the companies already offered some version of paid parental leave to their employees. They would not have adopted their policies unless they felt the long-term advantages in attracting and retaining talent outweighed any short-term decreases in operational performance.

Companies’ previous experiences with pregnancy leaves taken under their disability plans had instilled confidence that paid parental leave would not undermine their business performance. Given their workforce demographics, companies also expected that relatively few employees would have the opportunity to use the new benefit outside of birth mothers.

In the event of new state and local laws requiring paid parental leave, experience with leaves taken under FMLA should help many employers maintain their productivity levels – provided that pay continuation does not appreciably increase the incidence or duration of leaves. Employers can further



mitigate the productivity impact by developing supervisors' guidance for responding to the temporary absence of a team member. Workgroups should have standing plans for covering temporary absences with and without notice, for different stages of the production cycle (for example, if there are routinely occurring deliverables or seasonal workflows). These plans should clearly state the expectations that employees will coordinate their leave around business needs to the best of their abilities.

Employers also can help themselves understand the potential impact of paid parental leave by reviewing their current STD and FMLA outcomes with their supplier partners. IBI's industry-specific disability and leave benchmarks<sup>25</sup> can help assess whether their outcomes are typical. Focusing on birth and adoption leaves taken before a corporate or state/local policy goes into effect will give insights into the demand for paid parental leave and provide baseline metrics. This also is the time to begin compiling performance metrics for different business units, including employee satisfaction and turnover, and variation in these key metrics across operating units. This will help identify which units are at a particular productivity risk and facilitate the development of remedial strategies.

### **Lesson 3: Focus on improving return-to-work experiences**

Getting an employee back to work after an illness or injury is difficult enough for most employers. The companies IBI interviewed faced additional challenges with parental leaves, which fall outside of the expertise of many RTW approaches.

With leaves for illness or injuries, RTW efforts begin in earnest after an absence surpasses a duration benchmark. Depending on the nature of the illness or injury, efforts are made to modify an employees' physical workspace, task requirements or schedule in order to ensure that the transition back to work does not compromise their recovery.

With paid parental leave, durations are set by policy rather than a benchmark based on the distribution of prior leave outcomes. RTW guidelines for illness and injury absences typically do not address the main concerns of the companies interviewed: helping the returning employee simultaneously adapt to becoming a new parent, cope with work expectations, fatigue, and stress, and feel welcomed back as a valued member of their workgroup.

As some companies discovered, instituting a transitional period of part-time scheduling or limited duties can help facilitate a smooth RTW experience. Employers may also benefit from ensuring that their employee assistance programs (EAP) include resources that address the emotional and logistical concerns of new parents – for example coordinating day-care services, managing new expenses, flexible scheduling, or dependent care assistance programs.<sup>26</sup> Making employees aware of EAP resources as they transition to and from parental leave can also improve engagement with services companies already offer.

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<sup>25</sup> IBI Health and Productivity Benchmarking < <https://ibiweb.org/tools/benchmarking> >

<sup>26</sup> "7 Employee Benefits That Help Working Parents with the Cost of Care." Care @ Work. <<http://workplace.care.com/7-employee-benefits-that-help-working-parents-with-the-cost-of-care>>.

## Appendix

### Company Policies

Summaries of interviewed companies' parental leave policies are listed in the table below. Each row represents a different company.

Policy active at time of interview?	Different policies for primary & secondary caregivers?	Birth Mothers		Other new parents	Adoptions	Eligibility restrictions?	Notes
		Disability Leave	Parental Leave				
Y	Y	10 weeks @100% pay	<ul style="list-style-type: none"> <li>Primary: 16 weeks @ 100% pay</li> <li>Secondary: 4 weeks @ 100% pay</li> </ul>	<ul style="list-style-type: none"> <li>Primary: 16 weeks @ 100% pay</li> <li>Secondary: 4 weeks @ 100% pay</li> </ul>	<ul style="list-style-type: none"> <li>Primary: 16 weeks @ 100% pay</li> <li>Secondary: 4 weeks @ 100% pay</li> </ul>	None	<ul style="list-style-type: none"> <li>Primary: parental leave must be completed in 6 months</li> <li>Secondary: leave must be completed 1 year from birth</li> </ul>
Y	N	8 weeks @100% pay	16 weeks @ 100% pay	16 weeks @ 100% pay	16 weeks @ 100% pay	None	
Y	N	8 weeks @100% pay	12 weeks @100% pay	12 weeks @100% pay	12 weeks @100% pay	None	
Y	N	STD Plan not specified	12 weeks @100% pay	12 weeks @100% pay	12 weeks @100% pay	Not Specified	Parental leave must be completed 1 year from birth
Y	N	8 weeks @100% pay	8 weeks @100% pay	8 weeks @100% pay	8 weeks @100% pay	Not Specified	
Y	N	STD Plan not specified	8 weeks @100% pay	8 weeks @100% pay	8 weeks @100% pay	Not Specified	Parental leave must be completed 1 year from birth
Y	N	12 weeks @100% pay	6 weeks @ 100% pay	6 weeks @ 100% pay	6 weeks @ 100% pay	Must qualify for FMLA	
N*	N	8 weeks @100% pay	6 weeks @100% pay	6 weeks @100% pay	6 weeks @100% pay	Varies by state	*The policy described is under consideration

Policy active at time of interview?	Different policies for primary & secondary caregivers?	Birth Mothers		Other new parents	Adoptions	Eligibility restrictions?	Notes
		Disability Leave	Parental Leave				
Y	N	12 weeks @100% pay	6 weeks @ 100% pay	6 weeks @ 100% pay	6 weeks @ 100% pay	<ul style="list-style-type: none"> <li>Varies by state</li> <li>Must qualify for FMLA</li> </ul>	
Y	N	STD Plan not specified	6 weeks @ 90% pay	6 weeks @ 90% pay	6 weeks @ 90% pay	Varies by state	
Y	Y	12 weeks @100% pay	4 weeks @100% pay	4 weeks @100% pay	4 weeks @100% pay	Not Specified	Parental leave must be completed 1 year from birth
Y	N	8 weeks @100% pay	4 weeks @100% pay*	4 weeks @100% pay*	4 weeks @100% pay*	Must qualify for FMLA	*3 weeks @ 100% pay if not eligible for FMLA.
Y	N	8 weeks @70% untaxed	2 weeks @100% pay	3 weeks @100% pay	3 weeks @100% pay	Varies by state	
N	N	STD Plan not specified	0*	0*	0*		* Company follows state & local laws
N	N	STD Plan not specified	0*	0*	0*		* Company follows state & local laws

## Tracking Media Attention to Parental Leave

A Boolean query with search terms around the topic of parental leave was used in the Meltwater search engine to track major news publications' and trade press outlets' media attention to paid parental leave from 2009-2016. The Boolean query was set up to search and include content containing specific key terms in the headline or first paragraph. Key search terms utilized to track media attention included: parental leave, maternity leave, paternity leave, family leave, paid leave, family, paternity, maternity, and birth.

### Industry classification

For our analyses of industry level, we identify technology and finance by the North American Industrial Classification System (NAICS) code or their equivalent Census Industry codes as listed below.

Group	Industry	Census Industry	NAICS
<b>Technology</b>	Computer and peripheral equipment manufacturing	3365	3341
	Communications, and audio and video equipment manufacturing	3370	3342
	Navigational, measuring, electromedical, and control instruments manufacturing	3380	3345
	Electronic component and product manufacturing, n.e.c.	3390	3344
	Electronic shopping	5590	4541
	Electronic auctions	5591	4541
	Software publishers	6490	5112
	Internet publishing and broadcasting and web search portals	6672	5191
	Other telecommunication services	6690	5179
	Data processing, hosting, and related services	6695	5185
	Computer systems design and related services	7380	5415
<b>Finance</b>	Banking and related activities	6870	5221
	Savings institutions, including credit unions	6880	5221
	Non-depository credit and related activities	6890	5222
	Securities, commodities, funds, trusts, and other financial investments	6970	5231



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