

Parental Leave

Industry Trends

September 14, 2017

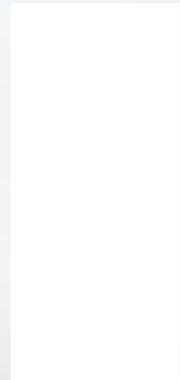
Presented by:

Alex Henry

West Region Practice Leader

Absence, Disability & Life Insurance Consulting Practice

Willis Towers Watson



New Parent Fun Facts



New parents in the U.S. typically spend \$7,000 in a baby's first year (not including medical expenses)¹...while babies spend ~\$0 on their parents



A new baby takes one night of sleep per week from his parents¹...while babies nap 3 – 4 times per day



The average woman changes a diaper in 2 minutes and 5 seconds...while the average man does it in 1 minute and 36 seconds¹



Middle-income families spend ~\$250k to raise a child to 18 (not including college!)²...the value of a child's love (and leaving the house)...priceless

Sources:

¹<http://babypreppers.com/fun-facts-babies/>

²<http://www.happyworker.com/supermom/facts#.WbQrX03rvIU>

Key Definitions

Parental Leave

Benefits allow parents a period of time to care for and bond with their new child

- Parental leave may be paid or unpaid
- Parental leave typically includes: maternity leave (after short-term disability/birth), paternity leave, adoption, surrogacy and/or foster placement leave

Maternity Disability

Is a period of time that is certified by a physician for a woman's pregnancy and can be prior to delivery or after the delivery of the child (typically 6 weeks for normal delivery and 8 weeks for c-section)

Bonding

The period of time when a mother or father cares/attends to a child usually within the first 12 months of the birth or placement of a child

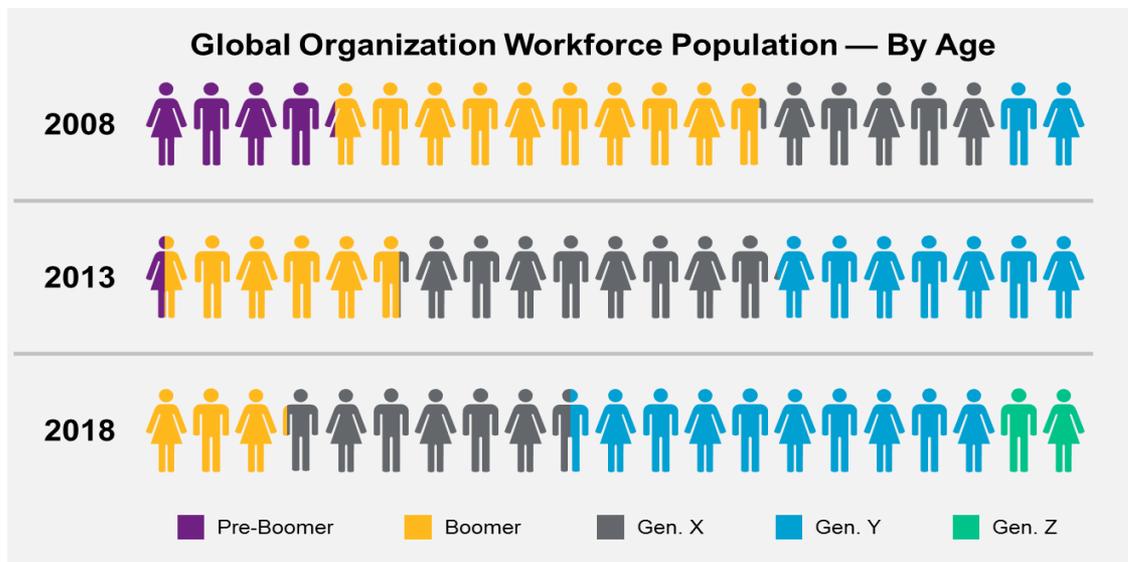
Caregiver

Can be biological or adoptive parents. Some employers use primary vs. secondary designations to delineate the amount of available leave

Foster placement

Can be for both the family receiving the child and foster parents/guardians who are caretakers while the child is waiting for placement

The Changing Workforce



- In 2016, Millennials (Gen Y) have surpassed Baby Boomers as the nation's largest living generation¹
- Millennials' expectations are rapidly growing for paid time off, flexibility and perquisites as they begin or expand their family
- 78% of Millennial employees are part of a dual-career couple, compared to 47% of Baby Boomers²
- More than 47 million U.S. children (68%) live in families where both parents are employed³
- Women are key breadwinners in nearly two-thirds of families with children³
- Parents of all generations are two times as likely to travel for business as non-parents²

Sources:

¹Pew Research Center: Millennials overtake Baby Boomers as America's largest generation (April 25, 2016)

²EY Study: Work-Life Challenges

³National Partnership for Women and Families: Fathers Need Paid Family and Medical Leave (June 2016)

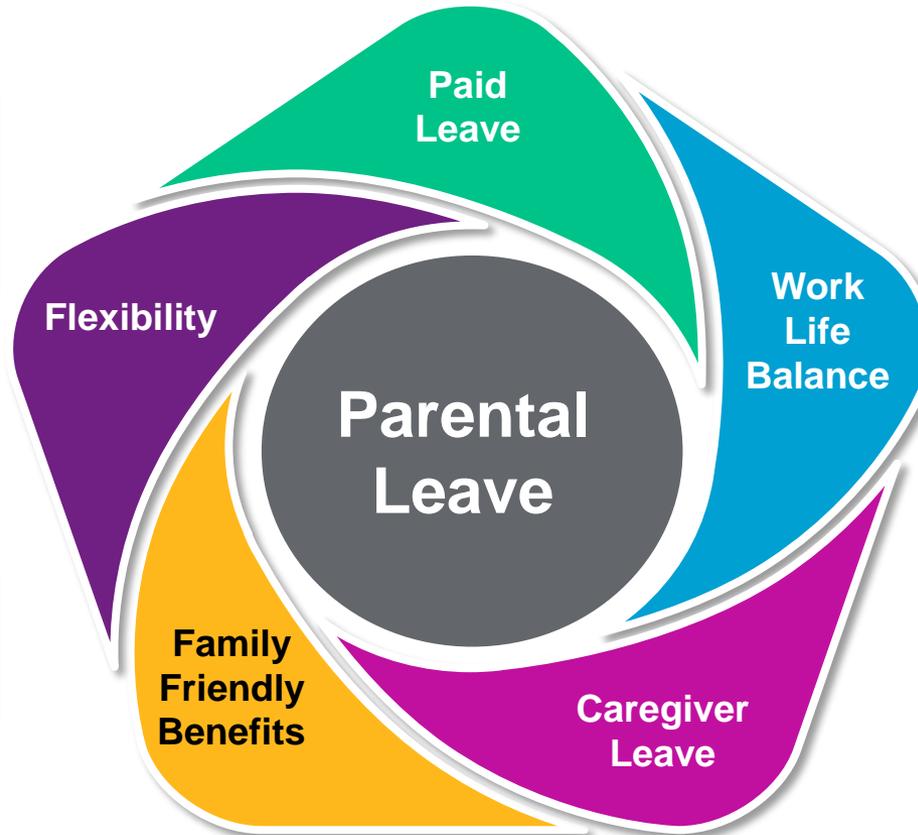
Parental Leave Framework

Parental leave has expanded beyond the recognized family friendly industries; financial services and high-tech to retail, hospitality, manufacturing, aerospace and defense, media and healthcare/biotech/pharma with benefits ranging broadly from 1 week to 52 weeks

38% of American millennials say they would **leave the country** for better paid parental leave benefits¹

89% of working parents indicated **flexibility** as the most important factor in seeking their next job²

83% of employees would be more likely to join a company that offers paid parental leave³



83% of millennial new parents are willing to make a **job change** based on improved family benefits⁴

55% of employees cited flexibility to balance work and life as a **very important aspect of their job satisfaction** (10% increase from last year)⁵

Millennials are more likely than baby boomers to cite **paid time off** as the **most important benefit**⁶

Sources:

¹Business Insider — *More than a third of US millennials would leave the country to get better parental-leave benefits*

²Fox Business — *Advantages of Flexible Work Arrangements*

³Ernst & Young Global Generations Study

⁴Regus — *The Flexible Road to Workforce Productivity*

⁵SHRM — *SHRM Research: Flexible Work Arrangements*

⁶SHRM — *Millennials in the Dark About Their Benefits*

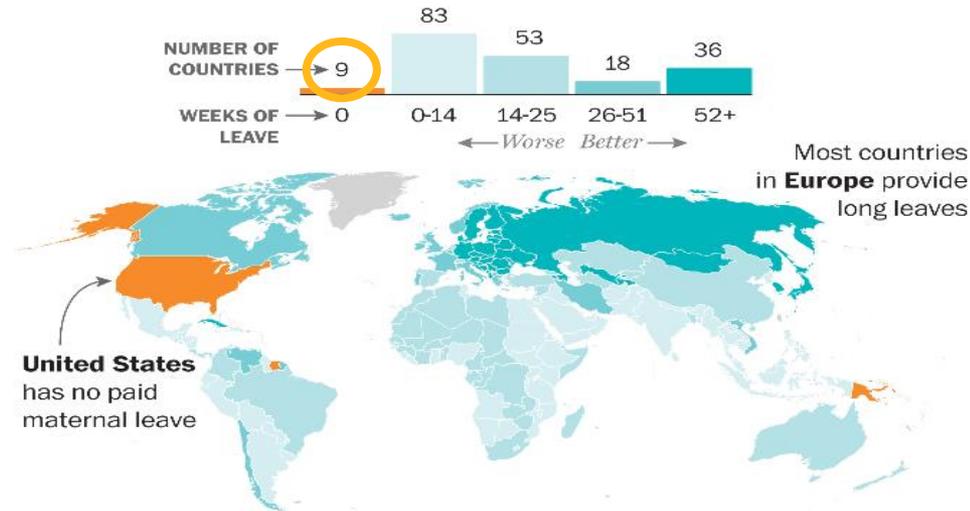
A Global View of Parental Leave

Countries that do not provide paid maternal leave include¹

1. United States
2. Suriname
3. Micronesia
4. Marshall Islands
5. Niue
6. Nauru
7. Palau
8. Papua New Guinea
9. Tonga

The U.S. is the only major industrialized nation that does not provide paid maternity leave

Paid maternal leave around the world



- A Pew Research Center report ranks the United States last out of 38 countries in government-supported time off for new parents²
- The smallest amount of paid leave from the other nations required is approximately 2 months³
 - In 19 of 41 countries: the majority of all paid leave available is allocated for maternity leave but only six countries provide no time off for new fathers

In today's global economy more employers are looking to provide parity in parental leave benefits which can pose a challenge given the generous parental leave laws of other countries

Sources:

¹Chart Source: WORLD Policy Analysis Center, 2014 data; The Washington Post: The world is getting better at paid maternity leave. The U.S. is not (August 13, 2016)

²Employee Benefits News: Paid Parental Leave Goes Mainstream (September 15, 2016)

³Pew Research Center: <http://www.pewresearch.org/fact-tank/2016/09/26/u-s-lacks-mandated-paid-parental-leave/>

Paid Parental Leave

Good for the whole family...



Researchers at University of Texas found the happiness gap between parents and nonparents in the United States is significantly larger than the gap found in other industrialized nations — which could be explained by differences in family-friendly social policies⁶



Length of a mother's leave after childbirth affected her mental health, the quality of parenting and couple relationships. Psychological distress was significantly less likely among mothers who took more than 13 weeks of paid leave.¹

Increasing the length of leave by one week could reduce depressive symptoms by 6 to 7 percent.²



Leaves of fewer than 12 weeks have been associated with higher maternal depression and anxiety, reduced sensitivity to the infant and knowledge of infant development, negative impact on self-esteem, work stress and overload and marital dissatisfaction.³



When fathers take leaves of two weeks or more, they're more likely to be involved in direct child care nine months after birth, and more hands-on throughout a child's life.⁴



10-week extension of paid parental leave reduced post neonatal infant mortality (28 days after birth) by 2 to 3 percent⁵

Sources:

¹Leave Duration After Childbirth. Impacts on Maternal Mental Health, Parenting, and Couple Relationships in Australian Two-Parent Families; November 6, 2012

²Does the Length of Maternity Leaves Affect Maternal Health? (NBER Working Paper 10206)

³Parental Leave and Work Adaptation at the Transition to Parenthood: Individual, Marital, and Social Correlates 2004

⁴Nepomnyaschy, Lenna & Waldfogel, Jane. (2007). Paternity leave and fathers' involvement with their young children; Community, Work & Family

⁵Parental Leave and Child Health, Christopher J. Ruhm, Working Paper 6554

⁶The New York Times: For U.S. Parents, a Troubling Happiness Gap (June 17, 2016)

Paid Parental Leave

...and also good for business

Google

increased paid parental leave from 12 weeks to 18 weeks and the rate at which new mothers left fell by 50%¹

Accenture

extended its paid maternity leave from 8 weeks to 16 weeks, attrition among mothers dropped by 40 percent²

Turnover is Expensive...

costs range from 35% of annual salary for a non-managerial employee, to 125% of salary for a manager, to a couple of years' pay for a director or vice president⁵

Aetna

expanded its maternity leave and the share of women returning to work jumped from 77 to 91 percent³

Women

who take paid leave are 93 percent more likely to be in the workforce 9 to 12 months after a child's birth than women who take no leave⁴

Sources:

¹The Blog: *Closing the Tech Industry Gender Gap*, January 27, 2017

²Fast Company: *Second Shift; Why Offering Paid Maternity Leave Is Good For Business*, September 27, 2016

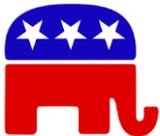
³Workplace Flexibility: *Employers Respond to the Changing Workforce*

⁴Pay Matters: *The Positive Economic Impacts of Paid Family Leave for Families, Businesses and the Public*. January 2012.

⁵Fast Company: *Patagonia's CEO Explains How to Make On-Site Child Care Pay for Itself*, August 15, 2016

Federal Proposals

Parental leave

Proposal	Summary
<p>Trump budget proposal</p> 	<p>Parental Leave</p> <ul style="list-style-type: none">Up to 6 weeks paid leave for new birth or adoptive parentsStates to design and finance programs <p>Child and elder care tax deduction</p> <ul style="list-style-type: none">Available for families with incomes to \$500,000 (\$250,000 for single taxpayers)Maximum equals average cost of child care in stateAvailable for stay-at-home parents <p>Dependent care savings account</p> <ul style="list-style-type: none">Separate from current law dependent care reimbursement accountsDo not have to be established through employerFunds can carry over\$2,000 maximum annual contribution
<p>Strong Families Act (S.1716/H.R.3595) Sen. Deb Fischer (R-NE) Rep. Mike Kelly (R-PA)</p> 	<ul style="list-style-type: none">Tax credit for employers that offer paid family and medical leaveUp to 25% of wages paid during leave
<p>Family and Medical Insurance Leave (FAMILY) Act (S.337/H.R.947) Sen. Kirsten Gillibrand (D-NY) Rep. Rosa DeLauro (D-CT)</p> 	<ul style="list-style-type: none">Establish Family and Medical Leave insurance program in Social Security AdministrationPayroll tax to fund paid family and medical leave

Family Leave in the United States

Enacted Laws

7

Paid Family Leave

California
San Francisco
New Jersey
Rhode Island
New York <i>(benefit begins 1/1/2018)</i>
Washington D.C. <i>(benefit begins 7/1/2020)</i>
Washington <i>(benefit begins 1/1/2020)</i>

12

Unpaid Family Leave*

California	Oregon
Connecticut	Rhode Island
Hawaii	Vermont
Maine	Washington D.C
Minnesota	Washington
New Jersey	Wisconsin

Pending Legislation

11

Paid Family Leave

Georgia	New Hampshire
Hawaii	Nebraska
Illinois	Oklahoma
Maine	Vermont
Massachusetts	Wisconsin
Minnesota	

State benefits vary widely...

Funding
EE vs. ER

Income Replacement
50% – 100%

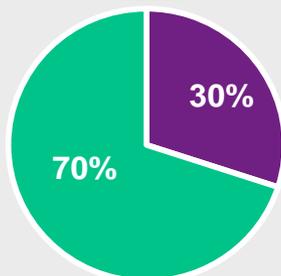
Benefit Max
\$633+/Week

Duration
4 – 12 weeks

*These states have family & medical leave laws that differ from the federal FMLA. Note that: (i) Colorado has a family leave law that allows employees to take leave to care for a civil union or domestic partner with a serious health condition; (ii) Maryland and Massachusetts have parental leave laws for the birth or adoption/placement of a child; and (iii) Tennessee has a parental leave law for adoption, pregnancy, childbirth and nursing an infant.

National Parental Leave Benchmarking

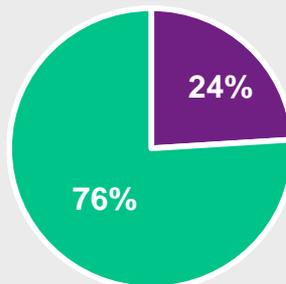
Paid Maternity Leave



■ Provided ■ Not Provided

- Employers typically cover pregnancy disability for six weeks for normal delivery and eight weeks for C-section under the STD program
- Based on a 2017 SHRM study, 30% of employers provide paid maternity benefits in addition to what is covered by STD and statutory disability programs
- Of employers providing benefits beyond the STD program, the average benefit is 8 weeks of paid time

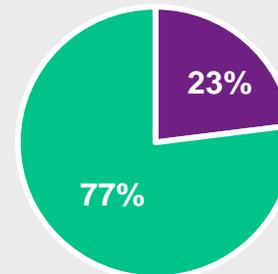
Paid Paternity Leave



■ Provided ■ Not Provided

- Due to the Pregnancy Discrimination Act, many employers' legal counsel require equal bonding benefits for mothers and fathers
 - Some employers have retained primary and secondary caregiver distinctions
- Based on a 2017 SHRM study, 24% of employers provide paid paternity benefits in addition to what is provided by statutory programs
- Of employers providing benefits, the average benefit is 4 weeks of paid time

Paid Adoption Leave



■ Provided ■ Not Provided

- Based on a 2017 SHRM study, 23% of employers provide paid adoption benefits in addition to what is provided by statutory programs
- Of employers providing benefits, the average benefit is 6 weeks of paid time
- 15% of employers provide paid foster care leave

Chart Source: 2017 Society for Human Resource Management (SHRM) Employee Benefits Survey

Local Paid Parental Leave Benchmarking

Employers headquartered in Washington

38%

Provide paid parental leave

More

Employers are looking to expand or implement parental leave programs

100%

Income replacement provided for duration of leave

All Employers

Provide same bonding benefits for moms, dads and adoptive parents

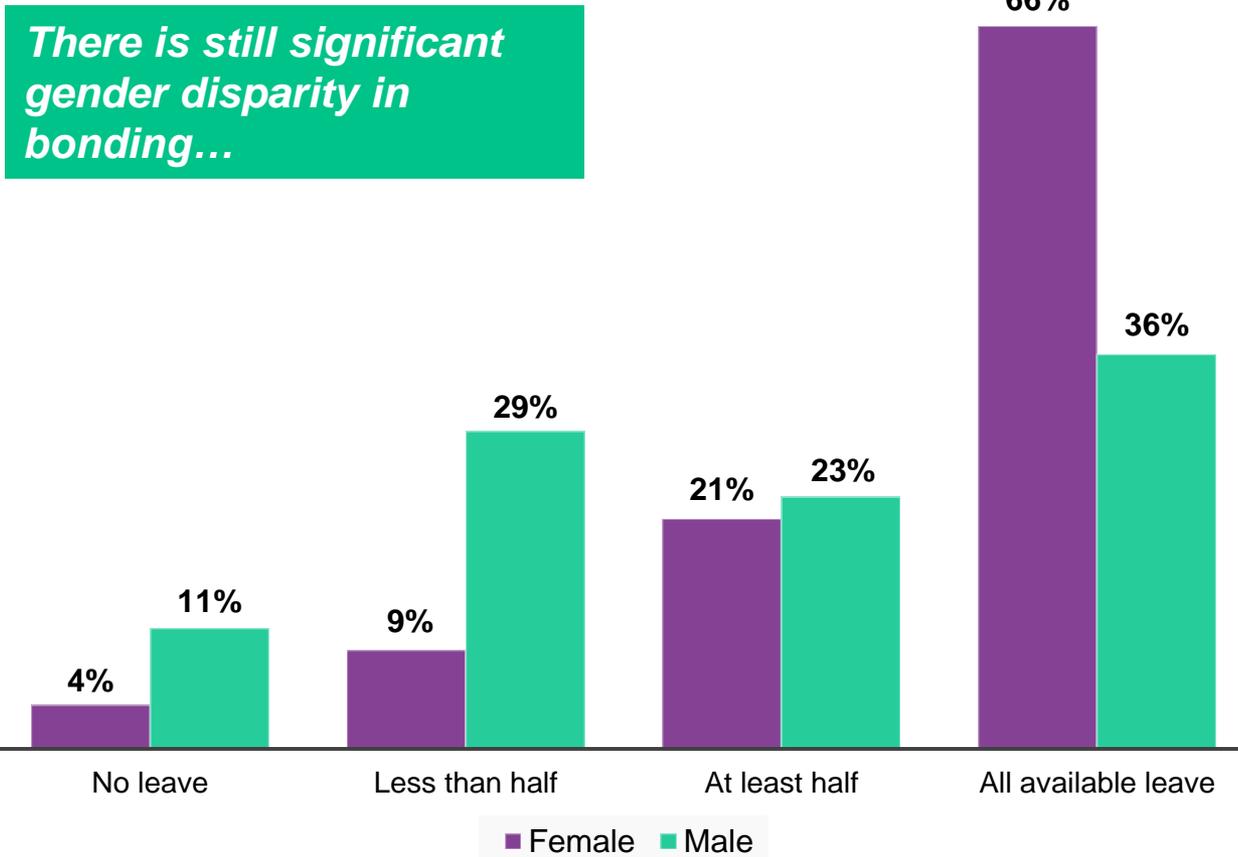
5.5 Weeks

Average paid parental leave offered

Source: Willis Towers Watson's Proprietary Benefit Data Source (BDS) database. Includes 16 employers headquartered in Washington.

Parental Leave Utilization

Female employees almost twice as likely as males to use all parental/family leave



Source: 2017 Employee Benefits (SHRM)

Only organizations that offered paid family leave to care for a new child were asked this question. Respondents who answered “don’t know” or “NA, no employees had a new child” were excluded from analysis. Percentages may not total 100% due to rounding

Design and Implementation Considerations

Provision	Common Practice
Funding	Employer paid
Eligible Employees	FT and PT (20+ hours per week). Does not include temporary or seasonal employees.
Eligibility Waiting Period	Most common is date of hire, but some entities require up to one year of service
Benefit Waiting Period	None
Reason for Leave	Birth, adoption, foster placement (consider parameters for foster placement)
Benefit Duration	2 – 26 weeks. Must be used within one year of the qualifying event.
Benefit %	100%
Benefit Minimum/Maximum	None
Job Protection	Varies (but in practice very few employers would terminate an employee during parental leave)
Integration	Concurrent with applicable state and federal leave (commences after the disability period)
Type of Leave	Can be taken continuously and intermittently (sometimes within limits — minimum of 1 week increments)
Continuation of Benefits	Benefit continuation during the duration of the leave, as long as premium payments are continued
Implementation Date	<ol style="list-style-type: none"> 1. Births on or after effective date — Easiest administratively but difficult message for employees just starting leave 2. Leaves starting/continuing as of effective date — More administratively burdensome as employees will be at various stages of leave so requires more coordination but more “employee friendly” than 1 3. Births/Leaves as of X mo. prior to effective date — Most administratively burdensome and most negative impact to business but least employee noise

Potential compliance issues: 1) primary/secondary caregiver designation, 2) more time for a specific gender, 3) paying more “disability benefits” for pregnancy vs. other disabling conditions

In the News

- The Equal Employment Opportunity Commission has sued **Estée Lauder Companies Inc.**, accusing the beauty giant of violating federal law when it awarded male employees fewer weeks of parental leave than female workers receive. The EEOC claims the policy violated the Equal Pay Act and Title VII of the Civil Rights Act.
- The ACLU filed a discrimination charge with the Equal Employment Opportunity Commission on behalf of a **J.P. Morgan Chase** employee who claims the company discriminated against him and other fathers by denying fathers paid parental leave on the same terms as mothers.
- **CNN and Turner Broadcasting** quietly settled an Equal Employment Opportunity Commission charge with a former CNN correspondent, Josh Levs, who claimed that the company's paid parental leave policy discriminated against biological fathers.

Equal Employment Opportunity Commission guidance on the subject explains that under Title VII of the Civil Rights Act of 1964, companies may offer longer leaves to biological mothers than to biological fathers, but the difference must be justified by medical necessity. Any paid leave offered beyond the time a mother spends recovering from her pregnancy must be offered equally to both men and women.

Other Family Friendly Benefits

Security

- Long term flexible work arrangements
- Transition leave for some period where a new parent works less than full-time and receives 100% of pay
- Ability to take parental leave on an intermittent basis while retaining job security
- Ability to extend unpaid leave while retaining access to benefits

Wealth

- Dependent care flexible spending accounts (FSAs)
- Subsidies for child care (healthy, sick)
- Stipend for birth parents — “baby bucks”
- Adoption Assistance Reimbursement is cash reimbursement up to a set dollar amount for adoptive parents in addition to paid parental leave, typically a lump sum \$5,000 to \$10,000
- Adoption legal assistance — subsidy for legal assistance that covers adoption services
- Paying for travel expenses for nannies or partner

Benefits

- Sharing of paid parental leave with a spouse/partner or grandparent who may not have access to paid parental leave
- Maternity executive coaching for new parents
- Benefits for surrogacy
- Infertility benefits — subsidy provided for surrogacy services (in vitro fertilization services)
- Onsite child care or offsite day care
- Backup child care — provide backup services for employees when their regular child care is unavailable
- Concierge service to cover personal errands
- Breast milk shipment
- Career and family transition program
- Lactation program for nursing moms with free webinars
- Free hospital-grade breast pump

What's on the Horizon?

Time off and leave benefits



Questions?



Thank You

