



The Utility of Paid Family Leave and Why Every Organization Should Care



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Introduction

The accessibility of Paid Family Leave (PFL) has been a primary concern for the American family for decades as parents and guardians must continually make the difficult choice between receiving a paycheck or caring for loved ones. Unlike most other industrialized nations, and despite widespread support for the idea in the United States¹ (including 69% of Americans agreeing fathers should have the right to it as well), the United States does not have a national standard for Paid Family Leave. In fact, the U.S. is the only high-income country in the world without that standard.

It wasn't until 1993 the federal government passed the Family and Medical Leave Act (FMLA), which required public agencies and private entities with 50 or more employees to provide eligible employees (those who had been at the agency or company for at least one year, had worked a minimum of 1,250 hours in that year, and were outside of the top 10% of the company's highest earners on payroll) up to twelve weeks of *unpaid* family leave.² In addition to those limited eligibility parameters, the reason(s) for the leave must also fit into one of just four categories: the birth and care of a newborn child, the placement of a son or daughter for adoption or foster care, the care of an immediate family member (e.g., spouse, child, or parent) with a serious health condition, or the employee's own serious illness or injury.³

Unsurprisingly, data shows that only a little over half of the United States' workforce is covered by the law due to its stringent eligibility requirements. Even in corporate America, where companies seek to attract prospective hires through providing expansive benefits, a mere 23% of workers have access to *paid* family leave as of 2021.⁴ This is despite research that has consistently shown paid family leave is linked with scores of positive mental, physical, and health benefits for both infants and new parents, decreased infant mortality, financial security for caregivers in both the short and long term, and improved connections to the workforce.⁵

¹ Horowitz, J., Parker, K., Graf, N., and Livingston, G. (2017, March). *Americans Widely Support Paid Family and Medical Leave, But Differ Over Specific Policies*. <https://www.pewsocialtrends.org/2017/03/23/americans-widely-support-paid-family-and-medical-leave-but-differ-over-specific-policies/>

² Sholar, M. (2016). The History of Family Leave Policies in the United States. *Organization of American Historians*. <https://www.oah.org/tah/issues/2016/november/the-history-of-family-leave-policies-in-the-united-states/>

³ Sholar, M. (2016). The History of Family Leave Policies in the United States. *Organization of American Historians*. <https://www.oah.org/tah/issues/2016/november/the-history-of-family-leave-policies-in-the-united-states/>

⁴ (2021, December). Paid Leave in the U.S. *Kaiser Family Foundation*. <https://www.kff.org/womens-health-policy/fact-sheet/paid-leave-in-u-s/>

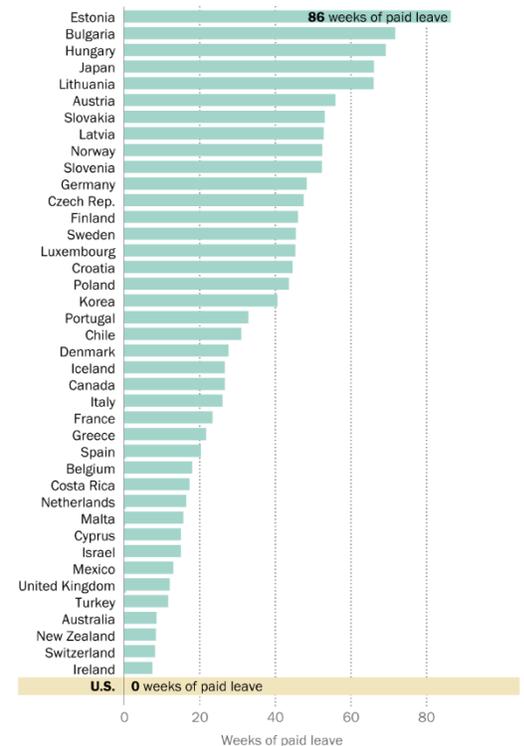
⁵ (2021, December). Paid Leave in the U.S. *Kaiser Family Foundation*. <https://www.kff.org/womens-health-policy/fact-sheet/paid-leave-in-u-s/>

In addition to increasing women’s participation in the workforce and decreasing gender pay gaps, supporters of universal paid family leave also insist that new policies would provide monetary recognition to the societal contribution that parents make by giving their children the best care.⁶ Proponents of PFL are also asking employers to consider the importance of allowing an appropriate amount of time for parents to bond with their child and recover physically and emotionally after giving birth.⁷

Those opposed to the passage of PFL have raised concerns about the impact that federal demands would have on businesses regarding their finances, wages, and employment. Additionally, they cite concerns about government overreach in the free market, increased taxes to fund the program, and financial impacts on wages.⁸ However, when reflecting on the data, it becomes clear these short-term concerns belie the real long-term damages on both affected employees and the success of the company.

McBride Consulting knows that the boundaries between family life and the workplace are more fluid than ever and as trusted advisors to our clients we must engage this important issue with them head on. Overall, our goal is to shine a light on complex topics about which we can provide transformational and process improvement enhancements to elicit better outcomes. Paid Family Leave is one such critical subject on both a corporate and national level in the United States. Given the ongoing political debate surrounding this issue, we strive to provide an additional voice that is rooted in data, pragmatism, and delivery of best-in-practice outcomes for our clients and their employees.

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



Note: Includes maternity leave, paternity leave and parental leave entitlements in place as of April 2018. Estimates based on a “full-rate equivalent,” calculated as total number of weeks of any paid leave available to a new parent, multiplied by average rate of earnings reimbursement for those weeks of leave. Source: Organization for Economic Cooperation and Development Family Database. PEW RESEARCH CENTER

Where PFL Currently Stands

To compensate for the lack of a federally mandated family leave policy, nine states and the District of Columbia have mandated state-level plans that cover leave for numerous purposes, including bonding with a new child or caring for a seriously ill or injured family member. The inconsistency

⁶ Francis, E., Cheung, H., and Berger, M. (2021, November). How Does the U.S. Compare to Other Countries on Paid Parental Leave? Americans Get 0 Weeks, Estonians Get More than 80. *The Washington Post*. <https://www.washingtonpost.com/world/2021/11/11/global-paid-parental-leave-us/>

⁷ Francis, E., Cheung, H., and Berger, M. (2021, November). How Does the U.S. Compare to Other Countries on Paid Parental Leave? Americans Get 0 Weeks, Estonians Get More than 80. *The Washington Post*. <https://www.washingtonpost.com/world/2021/11/11/global-paid-parental-leave-us/>

⁸ (2021, December). Paid Leave in the U.S. *Kaiser Family Foundation*. <https://www.kff.org/womens-health-policy/fact-sheet/paid-leave-in-u-s/>

between states, however, means multistate employers face numerous challenges in meeting a complex web of differing requirements. This becomes even more complex for multinational organizations with employees in countries requiring paid family leave.

In the U.S., the Build Back Better Act attempted to address the issue of paid family leave through a broad package of health, social, and climate change policies, including a provision for four weeks of partially paid family and medical leave for nearly every U.S. worker, funded largely through general revenues.⁹ At present, however, the U.S. Senate continues to debate the legislation and its passage remains uncertain, leaving the U.S. and its citizens in limbo concerning a federal family leave plan. This leaves the responsibility to define and improve the current system largely up to individual organizations.

The Argument for Paid Family Leave

One could feasibly argue that understanding the importance of offering a competitive, comprehensive family leave policy is becoming increasingly integral to an organization's success and ability to attract and maintain talent as more companies take the initiative to include family leave policies as part of their core benefits. Yet in its current state — as one of only eight nations that does not provide paid-family leave¹⁰ — the U.S. leaves many parents with the choice of either taking unpaid leave or leaving the workforce altogether.

The first risks stilted career progressions, retaliation, or even loss of their jobs (overlooking, of course, the needed recovery time both physically and mentally from childbirth) for employees. The latter impacts one's ability to obtain employment in the future, increases the wage gap, and leads to increased costs to organizations themselves as they are forced to recruit and hire new talent. In its current form, the debate over paid family leave provides a lose-lose choice for employees and employers alike.

If organizations are left to implement paid leave plans on their own, the question must be asked, "Is it tangibly worth the effort and expense?" The answer is yes. Data shows the benefits of paid family leave are numerous, even if often overlooked. For children, time spent with their caregivers in the first year of life has demonstrated a positive impact on brain development and overall growth. The greater the length of time mothers breastfeed has also been shown to provide greater protection to children from both short- and long-term illnesses.¹¹

⁹ (2021). H.R. 5376 – Build Back Better Act. *Congress.gov*. <https://www.congress.gov/bill/117th-congress/house-bill/5376>

¹⁰ (2016, October). Countries Around the World Beat the U.S. on Paid Parental Leave. *NPR*.

<https://www.npr.org/2016/10/06/495839588/countries-around-the-world-beat-the-u-s-on-paid-parental-leave>

¹¹ (2021). Breastfeeding Benefits both Baby and Mom. *Centers for Disease Control and Prevention*.

<https://www.cdc.gov/nccdphp/dnpao/features/breastfeeding-benefits/index.html#:~:text=Breastfeeding%20can%20help%20protect%20babies,ear%20infections%20and%20stomach%20bugs>

In a study evaluating the impact of California’s 2004 Paid Family Leave Act, researchers found that having paid leave increased breastfeeding time by an average of 18 days.¹² In addition to the evidence associated with extended breastfeeding, having a parent available to care for a newborn full-time can lead to increased regular well-baby checks, improving overall health and nutrition, and spawning additional related benefits, including greater on-time immunization rates and increased parental involvement in care.¹³

For the parents, the benefits are abundant as well. Mothers are less likely to experience post-partum depression (fathers are more actively involved in care), and the stigma of paid family leave being a benefit only for women is more equitably addressed.¹⁴ But even before birth, greater availability of leave to attend necessary prenatal appointments can decrease the prevalence of pre-term birth, low birth weights, and maternal physical and mental health issues. Both healthy infants and adults can reduce avoidable hospital care and long-term medical costs, clearly benefiting parents, children, and society as a whole.

Paid Family leave also impacts the overall economy due to disruption in labor force participation. A study by the Washington Center for Equitable Growth found that nearly 30% of working women leave the work force when they have a child.¹⁵ With access to paid family leave, however, labor force participation increases by more than 5% in the year of a birth. The ability to take shorter-term leave versus leaving the workforce entirely has also led to greater job continuity. Longer leave, including that associated with leaving the workforce for family care reasons, has unsurprisingly exhibited negative impacts on career advancement.

Increased economic security is another benefit of PFL programs. Workers are more secure taking leave knowing they are not in danger of losing their job if they or a family member become ill, or if they need to care for a new baby. That ability to remain in the workforce also improves access to long-term health coverage thereby affecting healthcare costs for society as a whole. Increased and consistent workforce participation also benefits governments and a country’s economic health: more workers can mean more production, more wages, more consumption, and preservation of a significant source of tax revenue.

So, what does all of this mean for businesses? We now know, following the mass exodus of workers during the two primary years of the COVID-19 pandemic, that businesses must have a vested interest in providing paid family leave. The pandemic’s impact on parents’ and caregivers’ ability to care for their families led to an exponential departure from the workforce, and disproportionately

¹² Bailey, M., Byker, T., Patel, E., and Ramnath, S. (2019, November). The Long-Term Effects of California’s 2004 Paid Family Leave Act on Women’s Careers: Evidence from U.S. Tax Data. *Washington Center for Equitable Growth*. <https://equitablegrowth.org/working-papers/the-long-term-effects-of-californias-2004-paid-family-leave-act-on-womens-careers-evidence-from-u-s-tax-data/>

¹³ O’Neill Hayes, T., and Barnhorst, M. (2020, June). How Children Benefit from Paid Family Leave Policies. *American Action Forum*. <https://www.americanactionforum.org/research/how-children-benefit-from-paid-family-leave-policies/>

¹⁴ (2021, September). Fathers Need Paid Family Leave and Medical Leave. *NPR*. <https://www.nationalpartnership.org/our-work/resources/economic-justice/paid-leave/fathers-need-paid-family-and-medical-leave.pdf>

¹⁵ Jones K., and Wilcher B. (2020, March). Reducing maternal labor market detachment: A role for paid family leave. *American University*. <https://equitablegrowth.org/working-papers/reducing-maternal-labor-market-detachment-a-role-for-paid-family-leave/>

affected the ability of women and mothers (particularly those in lower-wage positions) to remain employed.

But the pandemic didn't cause the issue, it simply forced it to the forefront of the intersection of families and workplaces. It also separated society into two very visible groups: employees who had leave flexibility, access to care, or some ability to work from home or the office, and those who did not. The latter of the two groups found themselves forced to choose between their job and caring for their child or family-member. This has resulted in businesses now facing a shortage of workers and inhibited development issues in many children.

Over 2.2 million people have left the workforce since January 2020¹⁶, and as of February 2022, labor force participation was down from 63.3% in January 2020, to 62.4%.¹⁷ A survey by the U.S. Chamber of Commerce also found that one in three women surveyed said that she needed to be home to care for children or other family members, making returning to work “difficult or impossible.” Though there are obvious additional costs to organizations associated with implementing and maintaining a paid family leave program, the benefits include fewer operating costs on the backend. Worker retention improves, along with productivity, with 90% of businesses claiming a positive or neutral effect on productivity.¹⁸

Businesses are responding. According to a 2021 Kaiser Family Foundation (KFF) study, 37% of employees surveyed claim their employer had begun to offer either paid sick leave or paid family and medical leave for the first time or expanded their previous offerings. The importance of paid family leave offerings, particularly in the absence of a federal solution, may become more important, particularly in the current competitive labor environment where employers face a shrinking pool of potential workers.

The Challenge of Designing a PFL Program

While paid family leave policies offer a myriad of benefits to both employees and employers, they also pose challenges and nuances that companies must carefully address to implement effectively. One such challenge is the evolving definition and model of parenthood. In addition to traditional pregnancy, modern-day parenthood includes fostering, adoption, and surrogacy. All of which open the door for same-sex couples and single parents to become critical participants in the discussion surrounding family leave.

According to a 2015 Pew Research Center study, only 46% of American households reflect the nuclear family dynamic, illustrating just how diverse the makeup of modern-day families can be.¹⁹

¹⁶ Ferguson S. (2022, February). Understanding America's Labor Shortage. *U.S. Chamber of Commerce*. <https://www.uschamber.com/workforce/understanding-americas-labor-shortage>

¹⁷ (2021, November). NEW - Updated Poll: The COVID-19 Unemployed. *U.S. Chamber of Commerce*. <https://www.uschamber.com/workforce/new-updated-poll-the-covid-19-unemployed>

¹⁸ Schulte B., Durana A., and Stout B. (2017, June). Paid Family Leave: How Much Time Is Enough? *New America*. <https://www.newamerica.org/better-life-lab/reports/paid-family-leave-how-much-time-enough/economic-impact/#:~:text=A%202017%20Ernst%20and%20Young,to%20take%20unpaid%20family%20leave>

¹⁹ (2015, December). Parenting in America. *The Pew Research Center*. <https://www.pewresearch.org/social-trends/2015/12/17/1-the-american-family-today/>

The concept of paid family leave no longer impacts only a portion of the American workforce; nearly everyone in the country has a stake in the matter now. As the number of people who can be directly impacted by family leave grows, so does the potential for discrimination in the workplace.

Historically, those who have given birth to a child and their partners were the only ones considered for paid leave. When individuals are increasingly leveraging methods that do not involve childbirth, including fostering, adopting, and utilizing a surrogate, it becomes crucial that paid leave policies accommodate their experiences. The days of one-size-fits-all child-rearing or parental care, however, are a thing of the past in the U.S. and organizations must adapt their policies to meet those realities.

The same can be said for non-child needs with regards to PFL. Partners and parents, for example, are now intertwined in employees lives in a myriad of ways not necessarily seen before and which add levels of responsibility to their daily demands. These care-giver relationships mean employees may need time-off that can't necessarily be planned. Providing emotional and economic security through PFL benefits aids both employees and organizations by knowing that the individuals have a safety net and therefore don't need to be worried about the immediate and intermediate impacts of taking time off. That in turn translates to greater freedom for productivity and contribution in the workplace.

But the inclusivity of an organization's family leave policy ultimately determines which personnel are deemed eligible, with any omissions or limitations having significant implications. For example, a 2018 family leave survey conducted through the Human Rights campaign found that fewer than half of the LGBTQ respondents indicated their employers' leave policies were inclusive of LGBTQ parents.²⁰ In response to this challenge, companies should be mindful of the demographic and socioeconomic makeup of their personnel.

A broadly defined or all-encompassing family leave policy ensures that all staff members feel equally represented and protected by their employer. Surveying staff or allowing them opportunities to provide feedback can result in better informed and more applicable leave policies for firms. This practice not only allows employees to take ownership in the company's practices and future, but also provides employers with a well-rounded perspective of their people's interests and values.

Another challenge employers face is the inherent decrease in employee utilization and productivity while they are on leave. The overarching financial concern with instituting paid leave policies for new parents is that the employer will continue to compensate the employee without the financial return for their services. Universalizing and extending paid leave policies can exacerbate these worries, especially for corporate/for-profit firms. Unlike the public sector, these firms have real bottom-line needs for positive financial revenues to maintain their well-being and capability to conduct business.

While these financial concerns are legitimate, there are also strong incentives for employers to provide paid family leave to their staff. First, staff who feel their employer values them and their

²⁰ Maxwell M. B., Johnson A., Lee M., and Miranda L. (2018). U.S. LGBTQ Paid Leave Survey. *Human Rights Campaign Foundation Public Education and Research*. https://assets2.hrc.org/files/assets/resources/2018-HRC-LGBTQ-Paid-Leave-Survey.pdf?utm_campaign=Paid%20Leave&utm_source=HRC%20Website&qa=2.59831784.415201060.1628867774-23547129.1628194674

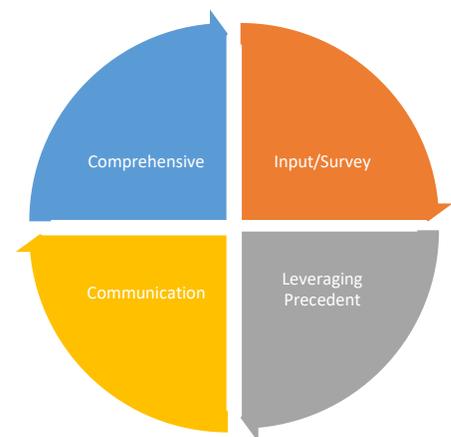
ability to care for their family are more likely to remain with the firm and possess positive feelings toward their employer. Retaining staff with firm-specific knowledge and qualifications reduces the sizable cost of recruiting, onboarding, and training new employees to fill the vacancies. The approximate cost of replacing an employee is estimated at one-half to two times the employee’s yearly salary.²¹

Not only does voluntary turnover cost companies, but it also significantly impacts an organization’s functioning and team morale. The loss of a valued employee, due to lack of adequate leave policies or otherwise, can equate to the loss of company leaders, skilled communicators, and some of the organization’s best human assets. Furthermore, it sends a message to remaining staff members that better opportunities might be found elsewhere or even precipitate into the loss of an existing customer or client relationship.

So, while Paid Family Leave policies can present challenges from an employer’s perspective, it is vital to remember the impactful and comprehensive benefits of such programs can often significantly mitigate these concerns. If executed thoughtfully, paid family leave serves as a clear indicator that the organization appreciates its staff and recognizes the value of providing time off during meaningful life events. This, in turn, encourages retention and ultimately serves the organization’s financial interests.

Successfully Implementing a Paid Family Leave Program

What exactly then does a model/successful paid family leave program look like and what are the best practices for implementation in your organization? The first step to building a successful model is to make sure the plan is comprehensive and available to a wide variety of individuals and needs. In FMLA’s current form, roughly 44% of workers are not even eligible to take the unpaid leave provided under the program.²² Some of the requirements exclude smaller employers, part-time employers, and those who have been with their employer for less than a year. In addition to those restrictions, many have expressed that they simply cannot afford to take unpaid leave, and instead choose to take no leave at all.



Components of a Successful PFL Plan

For firms that are implementing or improving their paid leave plans, make it a comprehensive program available to a wide variety of individuals and needs. Employers must think outside the “traditional” mindset and consider the needs of not just women and mothers. They should work to include all who are involved in parenthood including, but not limited to, fathers, same-sex couples, single parents, surrogates, and adoptive parents. Organizations should also consider supporting the post-newborn stage as well. As we saw throughout the pandemic, care is needed for years beyond

²¹ McFeely S., and Wigert B. (2019, March). This Fixable Problem Costs U.S. Businesses \$1 Trillion. *Gallup*. <https://www.gallup.com/workplace/247391/fixable-problem-costs-businesses-trillion.aspx>

²² Romig K., and Bryant K. (2021, April). A National Paid Leave Program Would Help Workers, Families. *Center on Budget and Policy Priorities*. <https://www.cbpp.org/research/economy/a-national-paid-leave-program-would-help-workers-families>

the first few weeks of life. Allowing flexibility for leave, regardless of the age of the family member requiring care, is key to providing comprehensive paid family leave.

The second step to building a new model involves leveraging precedents of success when developing a PFL program. Iceland, Rhode Island, and California offer important examples of successful programs. In Iceland, paid leave is non-transferable for fathers and mothers, thereby “forcing” parents to take the same leave and equalize the childcare role for parents.²³ This has the added benefit of addressing workforce gender equity issues. Not only are parents put on a level playing field of available leave, but it also helps reduce the stigma of fathers taking leave, thereby lessening the concern surrounding inequality for women who may be more likely to take time off than their male counterparts.

This also applies to gender equality in hiring. Benjamin Lockwood, a Wharton professor of business economics and public policy noted, this model “...reduces the asymmetry between men and women...and so may create more equal hiring treatment.”²⁴ Studies have shown that gender pay gaps start from the very beginning of the hiring process and when equal pay is not applied from Day One, it becomes increasingly difficult for women to receive the equal pay of their male counterparts, even when holding the same levels of experience, credentials, or responsibilities. Promoting PFL and holding both men and women to the same standards for utilization therefore helps set a cultural norm from top to bottom.

As for government funding of PFL programs, when considering how to pay for these programs, there are several examples that can serve as a guide. Rhode Island, for example, offers an insurance model. Workers pay 1.2% tax on the first \$68,100 in earnings, and benefits are roughly 60% of an employee’s weekly wage. Similarly, in California, employers and employees both contribute a relatively minuscule amount of two-tenths of a percent of payroll contributions. The program is then funded through payments to the State Disability Insurance program and program contributors can receive 60-70% of their pay for up to eight weeks.²⁵

The third step when designing a family leave plan is to consider the needs of your organization’s employees – the people who will be directly impacted by the policies implemented. Involving staff in the development of your PFL plan is one method for ensuring that your team’s input is reflected in the company programs that will ultimately impact their decisions and those of their peers. For example, many facilities will not provide childcare to infants under six weeks of age, requiring some form of private care, which many cannot afford. If encouraged to offer feedback, employees can communicate this and similar challenges which would help the firm identify curated solutions that attend to the needs of their employees.

Lastly, emphasizing transparency is important when designing and executing a PFL plan. Given the critical importance of leave policies on a person’s finances and family life, it is key that organizations clearly communicate their policies early on, allowing individuals the chance to accept

²³ (2019, April). Paid Family Leave: What’s The Right Model?. *Wharton School of the University of Pennsylvania*. <https://knowledge.wharton.upenn.edu/article/paid-family-leave/>

²⁴ (2019, April). Paid Family Leave: What’s The Right Model? *Wharton School of the University of Pennsylvania*. <https://knowledge.wharton.upenn.edu/article/paid-family-leave/>

²⁵ (2019, April). Paid Family Leave: What’s The Right Model? *Wharton School of the University of Pennsylvania*. <https://knowledge.wharton.upenn.edu/article/paid-family-leave/>

or deny a position based on its alignment with their needs. Additionally, organizations should consider engaging their teams in a dialogue surrounding leave, opening themselves up for improvements to their plans and reshaping those of others as well.

For example, theSkimm, a non-partisan company geared toward millennial women, recently started a #showyourleave campaign on Twitter, LinkedIn, and other social media platforms, encouraging companies to share their leave policies. This helped to launch an initiative to improve paid family leave programs in organizations across the world. By being open and transparent about PFL programs, firms put themselves at the forefront of the marketplace for not only quality of their workplace environment, but also recruiting and hiring of top tier talent.

Transitioning to a Post-Pandemic Workforce

It has become increasingly evident that paid family leave is no longer solely a women's issue, but a serious and impactful issue for all workforce participants. A lack of paid family leave has massive ramifications across a multitude of important policy concerns, including the workforce, equality, child welfare, and family financial and physical wellbeing. As the U.S. works to implement a federal plan, the onus falls on employers to step in and create family leave opportunities that fill the gap. With a workforce already fundamentally altered by the recent COVID-19 pandemic, the importance of paid family leave will only grow and evolve as the expectations and limitations of Americans in the workforce shift.



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