



1

A GUIDE TO
PAID LEAVE



FAMILY FRIENDLY
NEW MEXICO
**BUSINESS
TOOLKIT**

NMFAMILYFRIENDLYBUSINESS.COM

HOW DO EMPLOYERS BENEFIT FROM FAMILY FRIENDLY POLICIES?

Research shows that the benefits of having family friendly policies pay for the cost of adding family friendly policies (The Economics of Paid Leave – White House 2014). A review of 27 separate case studies found that the median cost of replacing an employee was 21 percent of that employee’s annual salary – a substantial cost that can be reduced with family friendly leave policies (Boushey and Glynn, 2012). **Paid leave policies have been recommended by researchers as an effective and economically sound practice, especially for those balancing work and family.** Businesses that have family friendly policies are better able to recruit the most qualified employees, improve employee retention and morale, loyalty, and worker productivity (Williams, 2001). Paid leave policies help businesses plan more efficiently, because they know when people are planning to take time off, and can make the appropriate arrangements.

Family Friendly New Mexico Recognizes Three Paid Leave Policies	
POLICY TYPE	DEFINITION
<p>PERSONAL LEAVE (school, sick, professional development)</p>	<p>Paid personal leave is a category of paid time off an organization voluntarily provides employees as a benefit. It may cover medical leave for workers with a serious health condition, sick /self-care time, personal time off/vacation, and professional development or time for continuing education programs. Many employers make distinctions between personal time off and sick leave, but more and more employers are combining all paid time off (PTO) for employees to use as they choose.</p>
<p>FAMILY LEAVE (caring for aging parents, children, domestic partner)</p>	<p>Paid family leave provides benefits to employees who need time off to take care of a child, a spouse, a parent or an adult child with a serious health condition, or who are ill or disabled.</p>
<p>MATERNITY/PATERNITY LEAVE</p>	<p>Paid parental/maternity/paternity leave covers mothers and fathers to allow them to bond with a new child, whether it is the birth of a child, an adoption or new foster child.</p>

Paid leave is important because even though workers may have access to unpaid leave, they may not be able to take it.

Some workers, especially lower-income workers and those who are their family's primary breadwinner, cannot forego wages for taking unpaid leave. Other workers may be pressured by their employer not to take leave. The distinction between paid and unpaid leave is important, particularly for low waged workers, although unpaid leave may provide some flexibility, it is not a realistic option for workers who are already struggling financially. **Businesses that offer paid leave tend to retain employees, which is good for business.**

More workers, and especially millennial workers, are demanding family friendly policies in the workplace. Having policies that help workers balance their lives, including family and work, helps businesses compete for the most qualified employees.

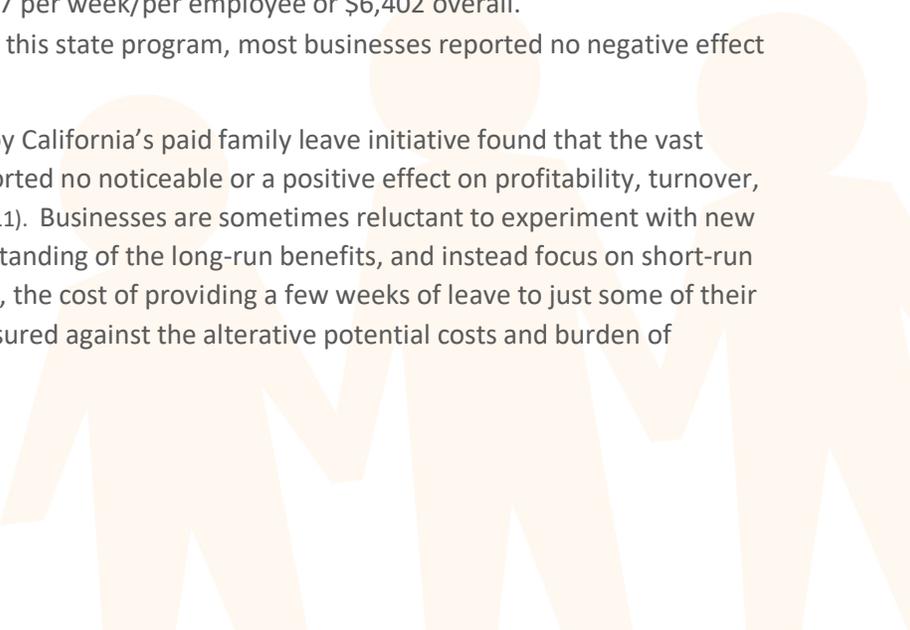
Federal law provides some protections for employees but does not provide paid leave in all cases. The Federal Family Medical Leave Act (FMLA) of 1993 provides up to 12 weeks of unpaid, job-protected leave for all public sector employees and private sector employees at firms with at least 50 employees. Leave can be used to care for a newborn, foster, or adopted child, as well as to take care of a seriously ill family member.

What are the costs of paid leave?

Businesses name cost as the biggest barrier to offering paid leave. Employers do have to make a commitment to some expenses to provide workplace benefits like paid leave, or have to manage short-term worker absences. However, research shows that a modest, affordable investment in paid leave makes sense when balanced against the costs (DOL 2015).

- California passed legislation to offer workers six weeks paid leave (at 55% of their total salary) that costs up to \$1,067 per week/per employee or \$6,402 overall.
- Following implementation of this state program, most businesses reported no negative effect on profitability.

A survey of 253 employers affected by California's paid family leave initiative found that the vast majority – over ninety percent – reported no noticeable or a positive effect on profitability, turnover, and morale (Appelbaum and Milkman, 2011). Businesses are sometimes reluctant to experiment with new initiatives, and may lack a full understanding of the long-run benefits, and instead focus on short-run cost-saving measures. For employers, the cost of providing a few weeks of leave to just some of their employees each year should be measured against the alternative potential costs and burden of replacing experienced talent.



What do businesses say about paid maternity leave?

Laszlo Bock, Senior VP of People Operations at Google, talks about the results of increasing maternity leave from 12 to 18 weeks and beginning to provide full pay:

“...the attrition rate for women after childbirth was twice our average attrition rate...After making the change in leave, the difference in attrition rates vanished. And moms told us that they were often using the extra two months to transition slowly back to work, making them more effective and happier when the leave ended. When we eventually did the math, it turned out this program cost nothing. The cost of having a mom out of the office for an extra couple of months was more than offset by the value of retaining her expertise and avoiding the cost of finding and training a new hire.”

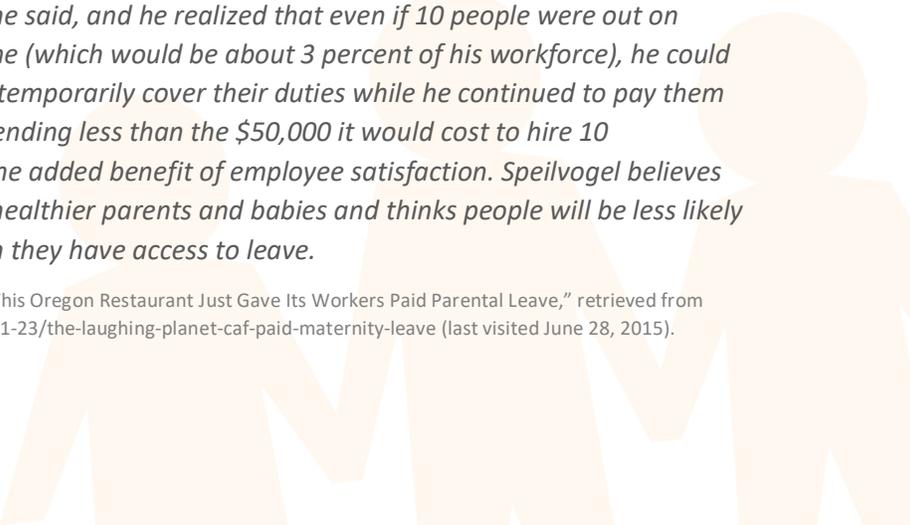
SOURCE: Laszlo Bock. 2015. *Work Rules! Lessons From Inside Google That Will Transform How You Live and Lead*. New York: Twelve, Hachette Book Group, at 280-81.

What do service industry businesses say about paid parental leave?

The owner of a chain of fourteen cafes in Oregon and Nevada recently “did the math” and decided to offer three months of paid parental leave to all employees. Owner Franz Spielvogel spoke to Bloomberg News about this decision:

Laughing Planet’s new paid-leave policy will apply to mothers, fathers, and adoptive parents. It will pay employees their full salary, or if they’re part-time employees, it’ll pay them the average of what they earned in the past six months. “It wasn’t a business decision to do this, it was a human decision,” said Spielvogel. “But as a business owner, I also think it’ll pay off down the road.” . . . Spielvogel said it costs about \$5,000 in time and wages to train a new employee. “I did the math,” he said, and he realized that even if 10 people were out on parental leave at any one time (which would be about 3 percent of his workforce), he could easily have other employees temporarily cover their duties while he continued to pay them for 12 weeks. He’d still be spending less than the \$50,000 it would cost to hire 10 replacements. Then there’s the added benefit of employee satisfaction. Spielvogel believes that parental leave leads to healthier parents and babies and thinks people will be less likely to quit Laughing Planet when they have access to leave.

SOURCE: Bloomberg Business. January 23, 2015. “This Oregon Restaurant Just Gave Its Workers Paid Parental Leave,” retrieved from <http://www.bloomberg.com/news/articles/2015-01-23/the-laughing-planet-caf-paid-maternity-leave> (last visited June 28, 2015).



What are the benefits of paid leave?

PERSONAL AND SICK LEAVE

Researchers have examined the impact of sick leave policies and found a number of health benefits. This implies that these policies provide wider benefits to society since workers with access to paid sick leave are more likely to utilize cost-effective methods to keep themselves (and those around them) healthy. Children who do not have adequate parental care are more likely to show up sick to school and infect others. Studies also suggest that those with paid sick leave are more likely to utilize preventive health care such as cancer screening (Peipins, et. al. 2012). Paid leave has been shown to increase the probability that women continue in their job after having a child, rather than quitting permanently, saving employers the expense of recruiting and training additional employees (Rossin-Slater, Ruhm, Waldfogel. 2011).

FAMILY AND MATERNITY/PATERNITY LEAVE

The benefits of leave also extend to workers' children and a number of researchers have identified a positive impact of maternity leave on infant outcomes such as birth weight and infant mortality. In particular, for college educated mothers able to take advantage of it, an expansion of unpaid leave has been found to increase birth weight, decrease premature birth, and lead to a substantial decrease in infant mortality (Rossin-Slater, 2011). An examination of European leave policies found that paid leave programs are a relatively cost-effective way to reduce infant mortality because family leave allows parents to better care for their child and monitor their child's health (Ruhm, 2000).

Moreover, policies supporting parents often work together to benefit children. For instance, as part of the Affordable Care Act, employers must now provide a reasonable break time, as well as a private place for nursing mothers to express breast milk. This both helps nursing mothers go back to work and makes it easier for mothers to continue nursing. Other studies have found that maternity leave increases women's likelihood of successfully nursing their infants (Roe, et. al., 1999, Baker and Milligan, 2008).

There is also evidence that children have shorter hospital stays when their parents are able to stay home and care for them (Heymann 2001). The current evidence on children's outcomes emphasizes the importance of the early childhood and prenatal environment, so there are likely large long-term benefits of policies that improve infant health (Almond and Currie, 2010). One study found higher educational attainment, lower teen pregnancy rates, higher IQ scores, and higher earnings in adulthood for children whose mothers used maternity leave, suggesting paid leave policies can have long-term benefits as well (Carniero, et. al. 2011).

SOURCE: Economics of Paid and Unpaid Leave – White House Council of Economic Advisors (June 2014) Pg 9.
https://www.whitehouse.gov/sites/default/files/docs/leave_report_final.pdf



What do companies need to do to adopt and implement paid leave?

- Decide upon levels or options of leave
- Decide which workers (FT/PT) will have access to which options
- Describe the process for scheduling/requesting to use paid leave
- Clearly state how paid leave is accrued (mention probationary periods, when accrual begins, if it is accrued hourly or monthly, etc)
- Describe employee rights for carrying over unused leave and whether or not they will receive a cash-out of all or part of their accrued but unused leave upon termination of their employment.

Sample Paid Leave Policies

PERSONAL LEAVE	SME Toolkit: http://www.smetoolkit.org/smetoolkit/en/content/en/684/Sample-Employee-Leave-Time-Off-Policy
FAMILY LEAVE	Early Childhood Development Toolkit for Employers: http://www.epicemployertoolkit.org/developing-child-friendly-policies.html
MATERNITY/ PATERNITY LEAVE	Women Employed: http://womenemployed.org/sites/default/files/resources/ParentalLeaveModelPolicy.pdf Society for Human Resources: https://www.shrm.org/resourcesandtools/tools-and-samples/policies/pages/maternityleavepolicy.aspx



How does the U.S. compare with other countries on offering family and maternity/paternity leave?

The United States remains the only advanced economy that does not guarantee any paid time off for mothers to care for a new child.

(Organization for Economic Cooperation and Development, 2016, Heymann and McNeill, 2013).

A key argument posed by skeptics of paid family leave or flexible workplace policies is that such practices are costly and place an unfair burden on employers. However, the birth of a child or a serious illness is not a frequent event, and evidence from the states that have paid leave policies in place, as well as other developed countries, shows that these policies do not cause undue interruptions in the workplace.

In fact, a body of research finds that these practices can benefit employers by improving their ability to recruit and retain talent, lowering costly worker turnover and minimizing loss of firm-specific skills and human capital, as well as boosting morale and worker productivity.

- A new survey from the Pew Research Center finds that the majority of working parents (56%) say it is difficult for them to balance their job responsibilities with their family responsibilities. More working mothers find it difficult (60%) than working fathers (52%), but a majority of both admit the severe challenge of being a working parent (Kashen, 2015).
- Access to paid family leave leads to greater workforce attachment and earning capacity. The Center for Women and Work at Rutgers University found that women who took paid leave following the birth of a child in the United States were better off economically than those that did not (controlling for other differences between the two groups). Leave takers were more likely to be working than non-leavers nine to twelve months after childbirth, and were 54% more likely to report wage increases in the following year (Cassidy, 2015).
- A recent study of fathers in the United States found that 89% of respondents said it was important for employers to provide paid paternity or paid parental leave (Harrington, Van Deusen, Sabatini Fraone, Eddy, 2014). California saw a 400 percent increase in the number of fathers taking paid leave between 2005 and 2013, as the state's program became better established and known (Nat'l Partnership for Women and Families, 2015). According to the National Partnership for Women & Families, "studies of two-parent, opposite-sex households show that fathers who take two or more weeks off after the birth of a child are more involved in that child's direct care nine months after birth than fathers who take no leave" (Nat'l Partnership for Women and Families, 2015).
- Several studies of workers within and outside the United States document how maternity leave in general makes it more likely that new mothers will stay with their same employer. One study of the effect of family-friendly policies on worker engagement and retention for U.S. workers found that maternity leave reduced turnover intentions (Grover and Crooker, 1995).
- A cross-national study of the U.S., Britain, and Japan found that maternity leave substantially increased retention for women after giving birth (Waldfogel, Higuchi and Abe, 2009).
- Expansion of maternity leave in Canada increased the chances that women would return to their same employer after giving birth (Baker and Milligan, 2008).



Example Maternity and Parental Leave Policies from Model Countries			
COUNTRY	MATERNITY LEAVE	PATERNITY AND PARENTAL LEAVE	NOTES
AUSTRALIA	18 weeks parental (shared), at the federal minimum wage level		Up to 52 weeks unpaid
CANADA	15 weeks at 55% pay (up to a cap) with additional two weeks unpaid	35 weeks shared parental at 55% pay with additional two weeks unpaid	
GERMANY	14 weeks at 100% pay	48-52 weeks parental (shared) at 65% pay on average	Additional 104 weeks unpaid parental leave (shared)
JAPAN	14 weeks at 66.7% pay	52 weeks parental for each parent, at 50% pay up to a cap	
SWEDEN	390 days at 85% pay per child (90 of those days are reserved for dads) an additional 90 days are offered at a flat pay rate and can be used until the child turns 8		Mothers can access free courses to help them prepare for the delivery (breathing techniques, coaching sessions, group support).

SOURCE: The Cost of Doing Nothing: The Price we all Pay Without Paid Leave Policies to Support America's 21st Century Working Families, 2015.



Sample Policy – Maternity/Paternity

ABC Company provides maternity (and paternity) leave for adoptive and natural mothers (and fathers) as a benefit of employment here. To be eligible for these benefits:

- You must have worked full time for *ABC Company* for a minimum of 12 continuous months.
- You are in good employment standing with *ABC Company* (i.e. not on probation).
- We ask that you request leave a minimum 30 days in advance if possible. If this is not possible, please place your request ASAP once you become aware of it.

The benefits are as follows:

- 40% of your salary for the first 4 weeks of leave. (Another great option would be to include adding on extra benefits for tenure such as 40% for 12 months-36 months; 60% for 36 months-60 months; 80% for 60 months+)
- You may take your PTO & sick leave time that you have accrued/kept, which are paid 100% of your salary amount.
- Up to 48 weeks of additional unpaid leave.
- Total leave time should not exceed 16 weeks.
- We will continue to cover your health insurance premiums during your leave time given that you do return to work for *ABC Company* as previously agreed upon.

Prior to leave, the employee and *ABC Company* will create a return to work plan that also includes the leave time. The employee will also communicate with *ABC Company* if the leave plan or return to work plan needs to change while on leave.

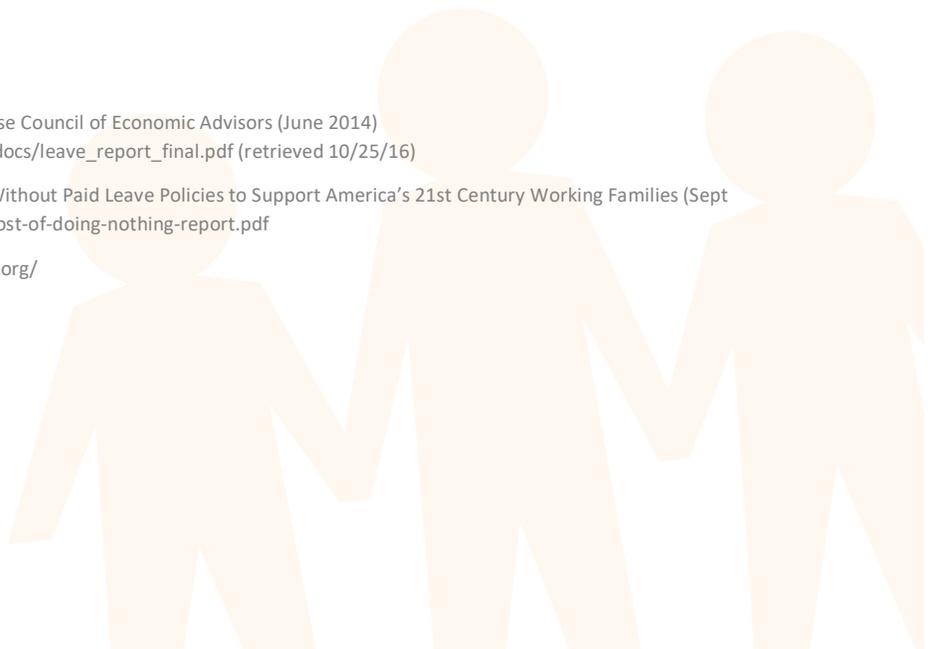
It is recommended to get employee input on the best and most practical type of leave package they would prefer, before implementing policy changes.

RESOURCES

Economics of Paid and Unpaid Leave – White House Council of Economic Advisors (June 2014)
https://www.whitehouse.gov/sites/default/files/docs/leave_report_final.pdf (retrieved 10/25/16)

The Cost of Doing Nothing: The Price We All Pay Without Paid Leave Policies to Support America's 21st Century Working Families (Sept 2015) <https://www.dol.gov/featured/paidleave/cost-of-doing-nothing-report.pdf>

When Work Works: <http://www.whenworkworks.org/>



CITATIONS

Almond, Douglas, and Janet Currie. 2011. "Killing Me Softly: The Fetal Origins Hypothesis." *The Journal of Economic Perspectives* 25, no 3: 153-172.

Almond, D. and Currie, J. 2012. *From Infant to Mother: Early Disease Environment and Future Maternal Health*. *Labour Economics*. Vol 19. Issue 4. Pages 475-483

Appelbaum, Eileen and Ruth Milkman. 2011. "Paid Family Leave Pays Off in California." *Harvard Business Review*. (<http://blogs.hbr.org/2011/01/paid-family-leave-pays-off-in/>).

Appelbaum, Eileen. 2014. "Paid Sick Days in Connecticut Not a Burden for Employers." *Center for Economic and Policy Research*. <http://www.cepr.net/index.php/op-eds-&-columns/op-eds-&-columns/paid-sick-days-in-connecticut-not-a-burden-for-employers>

Baker, M., Milligan, K. 2008. *Evidence from Maternity Leave Expansions of the Impact of Maternal Care on Early Child Development*. National Bureau of Economic Research. Working Paper 13826.

Boushey, H., Glynn, S. 2012. *There are Significant Business Costs to Replacing Employees.* Center for American Progress. <https://cdn.americanprogress.org/wp-content/uploads/2012/11/CostofTurnover.pdf>

Carneiro, Pedro, Katrine V. Loken, and Kjell G. Salvanes. 2011. "A Flying Start? Maternity Leave Benefits and Long Run Outcomes of Children." *Institute for the Study of Labor (IZA) Discussion Paper* 5793.

Cassidy, Mark. 2015. "How you can make more by working less" *The Century Foundation*.

Department of Labor. 2015. *The Cost of Doing Nothing: The Price we all pay without Paid Leave Policies to Support America's 21st Century Working Families*.

Grover, S. Crooker, K. J. 1995. *Who Appreciates Family-Responsive Human Resource Policies: The Impact of Family-Friendly Policies on the Organizational Attachment of Parents and Non-parents*. *Personnel Psychology*, 48, 271-288.

Harrington, Van Deusen, Sabatini Fraone, Eddy, 2014. "The New Dad: You're Your Leave" *Boston College Center for Work and Family*.

Heymann, J. 2001. *The Widening Gap: Why America's Working Families Are in Jeopardy – and What Can Be Done About it*. New York, NY. Basic Books.

Kashen, Julie. 2015. *Century Foundation Issue Brief: "Tech Companies are Leading the Way on Paid Family Leave...and the rest of the country should catch up."*

National Partnership for Women & Families. 2015. "Paid Leave Works in California, New Jersey and Rhode Island"

National Partnership for Women & Families. 2015. "Fathers Need Paid Family Leave."

Organization for Economic Cooperation and Development. 2016. "PF2.1: Key Characteristics of Parental Leave Systems." https://www.oecd.org/els/soc/PF2_1_Parental_leave_systems.pdf Retrieved January 12, 2017.

Peipins, Lucy A., et al. 2012. "The Lack of Paid Sick Leave as a Barrier to Cancer Screening and Medical Care-Seeking: Results from the National Health Interview Survey." (<http://www.ncbi.nlm.nih.gov/pubmed/22788387>).

Pew Research Center. 2015. "Raising Kids and Running a Household: How Working Parents Share the Load" <http://www.pewsocialtrends.org/2015/11/04/raising-kids-and-running-a-household-how-working-parents-share-the-load/>

Roe, Brian, et al. 1999. "Is There Competition between Breast-Feeding and Maternal Employment?" *Demography* 36, no. 2: 157-171.

Rossin-Slater, Maya. 2011. "The Effects of Maternity Leave on Children's Birth and Infant Health Outcomes in the United States." *Journal of Health Economics* 30, no.2: 221-239.

Rossin-Slater, Maya, Christopher J. Ruhm, and Jane Waldfogel. 2011. "The Effects of California's Paid Family Leave Program on Mothers' Leave-Taking and Subsequent Labor Market Outcomes." *Journal of Policy Analysis and Management* 32, no.2: 224-245.

Ruhm, Christopher J. 2000. "Parental Leave and Child Health." *Journal of Health Economics* 19, no.6: 931-960.

Waldfogel, J., Higuchi, Y., Abe, M. 1999. "Family Leave Policies and Women's Retention after Childbirth: Evidence from the United States, Britain, and Japan." *Journal of Population Economics* 12, No 4: 523-545.

Williams, Joan. 2001. *Unbending Gender: Why Work and Family Conflict and What to Do About It*. Oxford University Press.