Paid Parental Leave: Doing Well by Doing Good

What employers need to know about a benefit that helps pay for itself.

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When CEO Jennifer Hyman co-founded (with Jennifer Fleiss) Rent the Runway ten years ago, her focus wasn't on creating a workplace culture with best-in-class programs, policies and practices. Instead, she was determined to prove the business case for providing affordable luxury.

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She succeeded: Today, the company, which rents out designer clothes and accessories, is that rare thing Silicon Valley calls a "unicorn" – with a valuation over $1 billion. It has 1,600 full-time and hourly employees.

But those employees' average age is 36. And that fact points to something else Hyman is doing with her company: providing parental leave for all. "The majority of employees at Rent the Runway are in their prime child-bearing years," the CEO told me. "They are going through significant life events. Pairing up, getting married, having children, caregiving to their own parents."

For Hyman, that fact requires her to build a culture that prioritizes attracting and retaining talent. At the top of that list: parental leave. "Providing [employees] with support

during these life stages is not just a moral imperative, it's a financial one, as well," Hyman said.

The business case for parental leave has long been debated, as employers have complained that its costs outweigh its benefits. Indeed, employers' concerns include short-term productivity, wage replacement and the burden of paying an employee who is not "working."

What those concerns have added up to is the fact that most employers today deny their employees paid leave after childbirth (though four states mandate paid "family leave").

In fact, a 2018 study by Mercer revealed that 60 percent of employers polled did *not* offer paid parental leave. According to the Bureau of Labor Statistics, this means that only 15 percent of Americans have access to paid leave through their employers.

The net effect for new mothers is that many are forced to leave the paid workforce to care for their children. Despite popular belief to the contrary, only 48 percent of mothers with children under the age of 18 work full-time, according to the Bureau of Labor Statistics. The rest work part-time, or not at all.

Seventy percent of new moms pause their careers.

I conducted a study of nearly 1,500 college-educated women for my book, *Work Pause Thrive: How to Pause for Parenthood Without Killing Your Career* and was surprised to learn that more than 70 percent of those polled had paused their careers for a period of time because of a lack of support once they became mothers.

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College-educated women often have options when it comes to re-launching their careers, but for many without a college degree, and for hourly workers, the impacts can be devastating. PL+US, a non-profit advocate for paid family leave, reported that nearly one quarter of American women take less than two weeks off after the birth of a child because of lack of paid leave. Their subsequent work commitment lags, resulting in high turnover, reduced productivity and financial hardship.

Rent the Runway isn't the only business facing a parenting tsunami. Millennials, average age 28, are soon to be the largest age cohort in the workforce. Like the employees of Hyman's company, they are pairing up, getting married and having children. In fact, in the next decade, 64 million U.S. millennials are expected to become parents. Shockingly, the United States is one of only two countries among 185 United Nations members that don't provide paid maternity leave to its citizens. As a result,businesses are going to have to be the ones to fill the void.

And there's an economic motivation for that: In a low-unemployment environment like the one we have today, large and small companies alike are competing for talent. A 2017 E&Y study revealed that 83 percent of millennials surveyed would be more likely to join a company if it offered paid parental leave. As a result, this particular benefit has become table-stakes for today's workers.

Given the lack of a much-needed national paid leave program, Annie Sartor, campaigns director at PL+US, told me, employers are finally stepping up to fill the void. "Many large companies already provide paid family leave to employees," Sartor said. "Twenty titans in the last year alone expanded their policies. Increasingly, small businesses and entrepreneurs alike are seeing the need to offer this benefit in order to stay competitive."

Hyman at Rent the Runway, echoed her. “Welcome to 2019!” Hyman said. “If you believe that the profit of a company comes from its talent, then it is imperative you make the right choices when it comes to how you serve your employees.”

What about cash-strapped startups?

Of course, “serving your employees” by providing paid parental leave may be fairly easy for a billion-dollar company, but what about a startup? In this context, Founders for Change, an organization of entrepreneur leaders, has partnered with PL+US to launch a new initiative, #LeadersforLeave. Their goal is to encourage company founders, chief executives and venture capitalists to provide paid leave to employees from the beginning.

Here are some things to help entrepreneurs get started doing just that:

1. Evaluate the financial impact. This easy-to-use financial model open-sourced by Optimizely can help you assess the costs of parental leave for your company. Gusto, meanwhile, offers a detailed overview of how to implement a parental leave program. Whatever your size, it’s critical to remember that the burden of losing an employee for a few months far outweighs the cost of recruiting, hiring and training, which, according to the Center for American Progress, can run from 21 percent to over 200 percent of the departee’s salary.

2. Empower your employees to work collaboratively, to develop a solution that works for them and the company by inviting them to create a task force. They can survey their peers, research what other companies in the area are offering and craft a customized offering that meets the real needs of your team.

Consider what is already available to help underwrite parental leave. Four states (and soon, Washington, D.C.) offer some

measure of state-funded paid leave. Find out what is offered in your state to assist you financially.

Adapt your parental leave to the needs of the individual employee by ensuring you also have a parental return strategy. Some employees may not want to take their leave all at once and would prefer to have time to transition back with a reduced work week or flexible hours.

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“Rent the Runway can’t go back to its early days,” Hyman said. “But we’re committed to getting it right now.” She is expecting her second child within the month and is passionate about proving the business case for meaningful parental leave and other benefits that make for a great workplace culture.

Toward that goal, in 2018, Rent the Runway expanded its 12-week fully paid leave to both salaried *and* hourly workers. “No one employee’s life event is more important than another employee’s life event,” Hyman said.” My pregnancy is no more important than [that of] someone who works in our warehouse. We are all equal in terms of our importance as people.”

Values-based yes, but also a financial win? According to Hyman, her company’s retention is moving in a positive direction, and importantly, she said, productivity has increased. It’s up 30 percent year over year.

In today’s new world of work, where talent has options, recognizing the business imperative of providing programs and policies that meet the true needs of employees is key to staying competitive. At the core is meaningful paid parental leave for women *and* men. As Hyman pointed out, “It’s not just the right thing to do, it’s smart business.”

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