

FAMILY LEAVE WORKSHOP

COST/BENEFIT ANALYSIS



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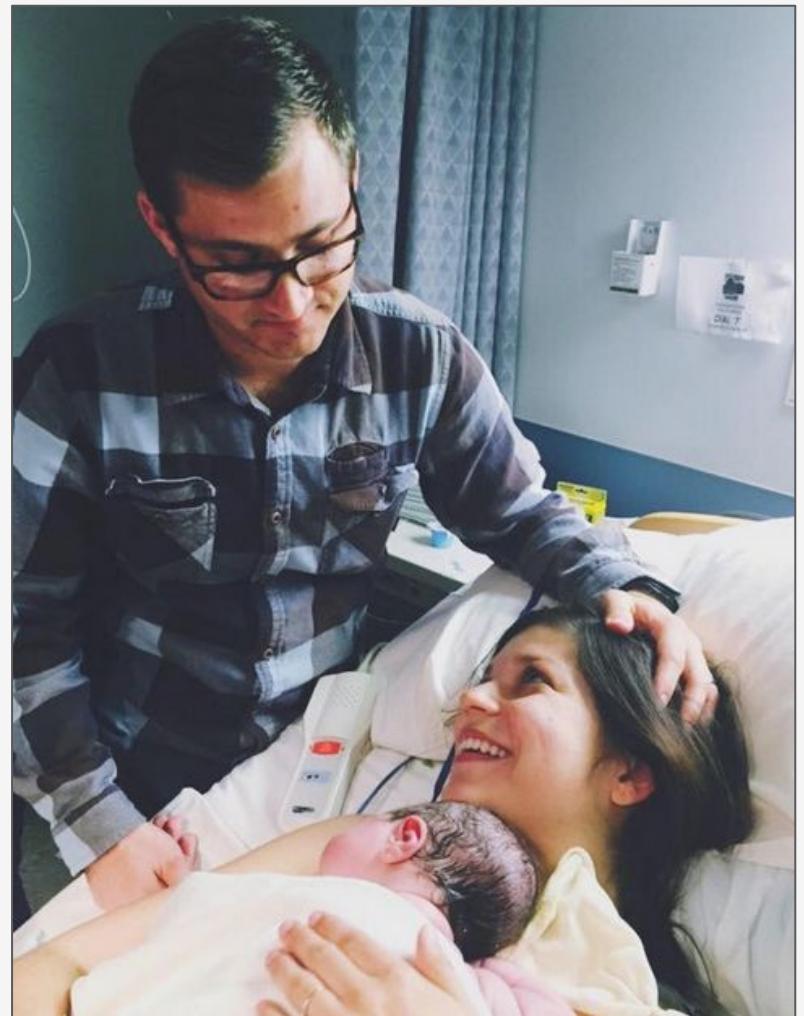


The Workshop Agenda

Goal: Understand the costs and savings from offering paid family and medical leave at your business.

Today's Agenda:

1. Benefits of a formal policy
2. Key costs & savings
3. Using our calculator tool
4. Q&A



What Is Paid Family and Medical Leave?

Paid Family + Medical Leave

Employees continue to earn pay while taking time away from work for:

- Birth or adoption of a child
- Care of a seriously ill family member
- Personal medical leave
(including pregnancy)

paidleave.us/paidleave_faq



Great Policy Is:

- ★ **Equal.** Applies to all employees and all parents (fathers, adoptive, foster).
- ★ **Enough.** 12 weeks parental and 6 weeks of family and medical leave.
- ★ **Easy-to-use.** Employees access leave easily and feel able to fully use it.

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Business Advantages of A Formal Policy

- ★ **Consistency and fairness**
 - Avoid subjective calls on employees' personal situations
- ★ **Budget and prepare for absences**
 - Project & cover costs through a standard offering
 - Less stigma → more advance notice → better planning
- ★ **Benefits of *paid* leave:**
 - Retaining employees
 - Improved morale and productivity

Key Costs and Savings

Understanding the Costs

➤ Direct Costs

- Continued pay
- Continued benefits and other employee-related costs
- Temporary staff and overtime

➤ Indirect Costs

- Supervisor time
- Reduced productivity of coworkers and temps
- Program administration

Understanding the Savings

➤ Direct Savings

- Reduced wages if you:
 - Have group short-term disability insurance
 - Operate in a state with a leave program
 - Offer less than 100% of wages to employees on leave

➤ Indirect Savings

- Reduced hiring costs by retaining employees
- Increased productivity of employees who take leave

Calculating *Your* Costs + Benefits

Projecting Frequency

We recommend 3 data sources:

1. Your previous absence rate
2. Your rate of child dependent enrollment in health insurance
3. Government statistics (bear in mind your staff's age and gender skews)
 - a. DOL Report: Family and Medical Leave in 2012
 - i. 13% of all employees took leave for a qualifying FMLA reason in a year
 1. Most leave taken is for the employee's own illness (55%)
 2. Leave for pregnancy or a new child (21%)
 3. Illness of qualifying relative (18%)
 - b. American Time Use Survey, 2011 (see Table 2)
 - i. Leave for birth/adoption (2%), illness of relative (6%) much less frequent than vacation (30%), own illness (22%) or errands (17%)

Leave Wages & Wage Replacement Rate

For employees on leave, you may pay < 100% of wages if:

1. You enroll your employees in group short-term disability insurance
 - a. Birth mothers & employees who need personal medical leave will be covered
 - b. Typically 60-75% of the employee's base pay
2. You operate in a state with a mandated leave program
 - a. Currently, RI, CA, NJ, NY, DC, WA and MA have laws on the books
 - b. In most cases, it's funded by automatic payroll deduction on all workers

* You can “top up” your employees’ STD or state fund wages to 100%. This is within your discretion; makes leave policy equitable and inclusive.

Projecting Temp or OT Staffing

Depending on the nature of your business, this can be difficult to project.

- Seasonality
- Degree of cross-training
- How much work is discretionary

To make a rough estimate, try grading each role as either discretionary, critical or halfway in between.

| Role | Function | Criticality |
|-------------------------------|------------|-------------|
| Cellar Manager | Production | 1 |
| Assistant Brewer | Production | 0 |
| Assistant Brewer | Production | 0.5 |
| Assistant Brewer | Production | 0.5 |
| Assistant Brewer | Production | 0.5 |
| Lead Brewer | Production | 0.5 |
| Head Brewer | Production | 0.5 |
| Sales Representative | Sales | 1 |
| Sales Representative | Sales | 0.5 |
| Sales Representative | Sales | 0 |
| Sales Representative | Sales | 0 |
| Sales Manager | Sales | 1 |
| Marketing Manager | Marketing | 0.5 |
| Social Media Coordinator | Marketing | 0 |
| Graphic Designer | Marketing | 0 |
| Server | Barroom | 1 |
| Server | Barroom | 0.5 |
| Server | Barroom | 0.5 |
| Server | Barroom | 0 |
| Event Manager | Events | 0 |
| Event Associate | Events | 0.5 |
| TOTAL % OF REPLACEMENT | | 43% |

Indirect Cost Calculations

| <u>Indirect Cost Calculations</u> | | <u>Guidance and Notes</u> |
|--|----------------|--|
| Productivity Loss as % of Payroll | 6% | <i>This represents the time that supervisors have to spend planning and managing around absences; the disruption that results from all the transitions and change; and the time of an administrator or HR person to process the leaves. A 2014 study of organizations of 500+ employees by the Society for Human Resource Management found the average total cost of productivity loss from all paid time off was 6.2% of payroll.</i> |
| | | |
| | | |
| Weekly Productivity Loss + Administration Costs | \$77.14 | |

*A study by the Society for Human Resource Management found the average total cost of productivity loss from all paid time off was **6.2% of payroll**.*

SHRM and Kronos, Total Financial Impact of Employee Absences in the U.S., 2013

Savings Benchmarks

Offering PFML can help you *avoid* or *reduce* some common costs:

- Staff turnover - recruiting, training and opportunity costs
 - Average time to fill a role is 42 days¹
 - Average cost of a hire is \$4,000¹ or 20% of annual salary²
- Presenteeism, or being on the job but not fully functioning
 - Studies show even more costly than employee absence

¹ SHRM, Human Capital Benchmarking Report, 2016

² Center for American Progress, Business Costs to Replacing Employees, 2012

³ Harvard Business Review, Presenteeism - At Work But Out of It, 2004

PFL and the Cost of a Hire

A study of California workers¹ in “low-quality” jobs² found use of PFL increased retention by almost 10 percentage points.

When Google increased paid maternity leave from 12 to 18 weeks, the rate at which new mothers quit fell by 50%.³

¹ CEPR, Leaves That Pay, 2011

² Pay of < \$20/hr with no employer-provided health insurance

³ Susan Wojcicki, YouTube CEO

| EXTERNAL COSTS | |
|-------------------------------------|----------------|
| Advertising and marketing | \$600.00 |
| Background checks | \$100.00 |
| Job fair/recruiting events | \$500.00 |
| Campus recruiting | \$0.00 |
| Consulting services | \$0.00 |
| Immigration | \$0.00 |
| Bonus compensation | \$0.00 |
| Memberships | \$250.00 |
| Technology | \$600.00 |
| Travel | \$300.00 |
| INTERNAL COSTS | |
| Recruiting staff pay and benefits | \$13,000.00 |
| Non-labor office costs | \$10.00 |
| Recruiting learning and development | \$0.00 |
| New hire training | \$600.00 |
| HIRES | |
| Number of hires in time period | 3 |
| TOTAL COST PER HIRE | \$5,320 |

Thought Experiment: The Value of Employee Wellbeing

Identify your revenue-per-employee or sales-per-employee. Let's say it's \$150,000/year.

3 employees who are just 1% more productive for taking paid leave will earn you about \$4,500 more that year.



Using Our Leave Cost Calculator

PL+US Cost Calculator

The detailed cost benefit calculator is available at www.paidleave.us/workshop

Go to *File > Make a Copy* or *File > Download As > Microsoft Excel* for editable version that you can customize with figures for your workplace



FAMILY LEAVE WORKSHOP

A graphic of a notepad with several horizontal lines and a pencil resting on it, positioned below the word 'WORKSHOP'.

Questions? Contact us at workshop@paidleave.us