



# Aon's 2018 Absence Management Point of View

Understanding the Time Off Needs of Multiple Generations

# Contacts

---

**Stephen Gardner | Vice President**

**Aon Risk Services**

**Aon Risk Solutions**

1600 Summer Street, 6<sup>th</sup> Floor, Stamford, CT 06905

**Tel:** 203.388 3562 | **Fax:** 203.326.7547 | **Cell:** 203 461 5403

Email: [stephen.gardner2@aon.com](mailto:stephen.gardner2@aon.com)

**Laura Thompson, MRC, MBA | Vice President**

**Aon National Absence Management**

One Federal Street, Boston, MA 02110

t+.203-901-0837

[laura.thompson1@aon.com](mailto:laura.thompson1@aon.com)

# The World Around Us is Changing Dramatically (and Rapidly)

...and Time Away from Work Programs are fragmented,  
market ripe for innovation

Uber

The world's largest taxi company,  
owns no vehicles.

Facebook

The world's most popular media owner,  
creates no content.

Alibaba

The most valuable retailer,  
Has no inventory

Airbnb

The world's largest accommodation provider,  
owns no real estate.

Something interesting  
is happening.

– Tom Goodwin

Source: WetpaintMENA

# Absence, Disability, & Life: What's on employer's minds?



**3 in 10** workers ages 25-60 will become disabled for 3 or more months before age 60 <sup>1</sup>



96% of 186 countries provide or require some paid maternity leave; the U.S. requires none <sup>2</sup>



Only 58% of group LTD plans cover 60% of base pay <sup>3</sup>



There are over 45 U.S. jurisdictions mandating employer paid sick or family leave.

1) Unum Survey.

2) Council on Contemporary Families, 2016. "CCF Brief: Parenting and Happiness in 22 Countries";

3) Aon, SpecSelect Database, January 22, 2018

It All Started with PSL .....

# PAID SICK LEAVE LAWS START TO TAKE OFF

More and more **cities & states** are requiring employers to give workers paid sick days

## Election Sweep FOR PAID SICK DAYS!



**Oakland** residents sent a resounding message to statewide legislators: Californians need a strong inclusive paid sick days live.



**Massachusetts** voted #YESon4 and become the third state with paid sick days, a game-changer for one million MA workers currently with sick time

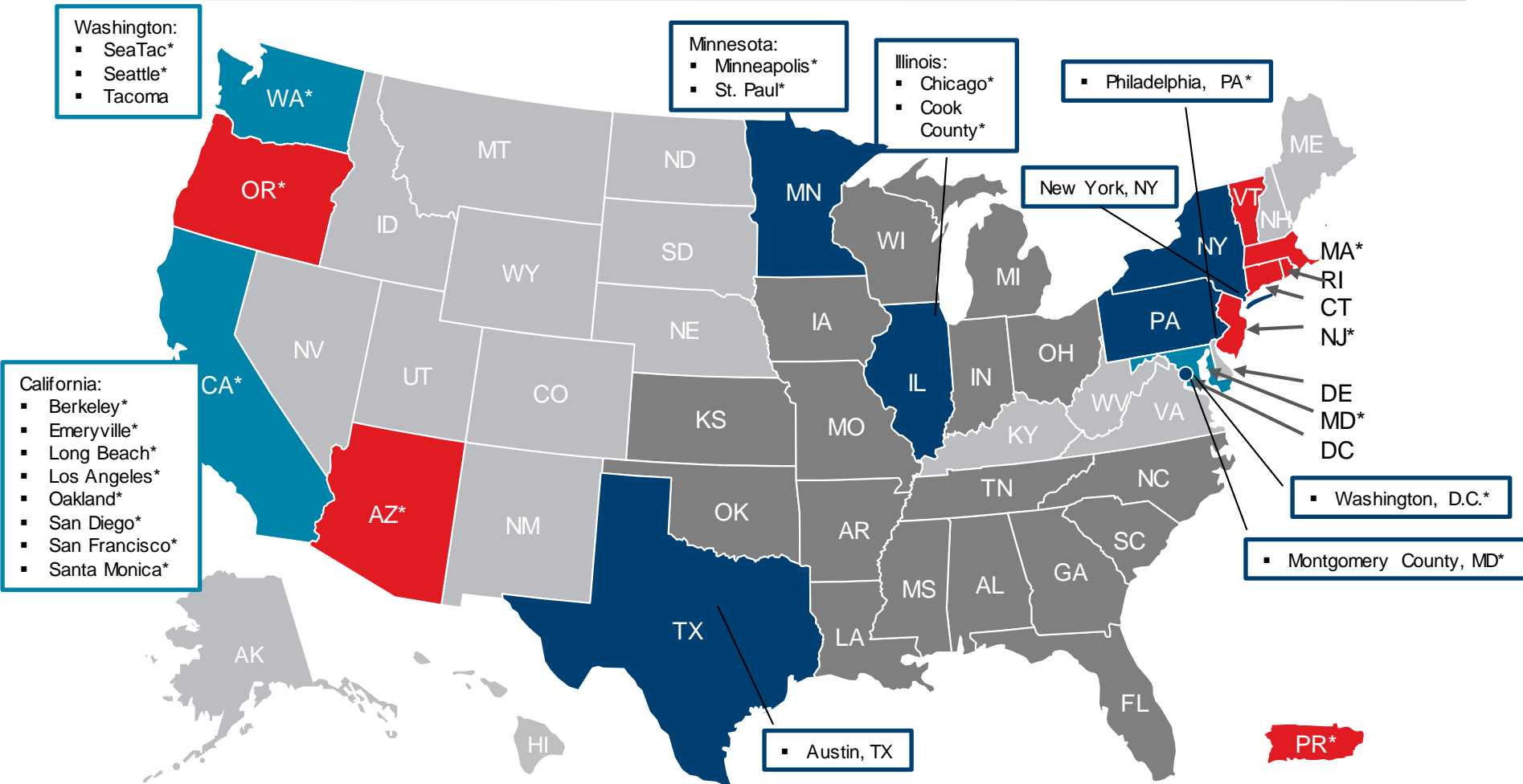


Voters in **Montclair and Trenton** joined six other New Jersey cities in passing paid sick days-all within a year! Next victory: a statewide bill 2018!

# 40%

of private sector workers have **NOT ONE PAID SICK DAY**

# Paid Sick Leave—Overview



<b>Local Laws Only</b>	<b>State-Wide Laws Only</b>	<b>State &amp; Local Laws</b>	<b>State Bans Local Laws</b>
<b>Federal contractor paid sick leave (as applicable)</b>			

*\*These jurisdictions give employees the right to sue their employers to enforce PSL entitlement*

Current as of May 2, 2018

# Paid Sick Leave—General Trends

---

## Laws Regulate Across 20+ Attributes

Amount of Time Available

Eligibility

Carryover

Cash Out

Reinstatement Upon Rehire

Qualified Uses

Medical Certification

Family Members

Notice/Tracking

Minimum Increment of Use

And more...

## Mandates - Challenges

- ✓ Laws apply based upon employee worksite, regardless of employer location
  - Implications for virtual employees
- ✓ Most apply to all employees regardless of hours per week
  - W-2 temps, interns, “benefits-ineligible” part-timers
- ✓ Leave can be used for self-care, care of sick/injured family members and to deal with domestic violence/stalking
  - Definition of family member varies by jurisdiction but definitions are far broader than under the FMLA
- ✓ All include anti-retaliation clauses
  - May conflict with employer absenteeism policies
- ✓ Don’t underestimate the change management challenge!
  - For both managers/supervisors as well as affected employees
- ✓ FMLA and disability vendors are typically not prepared to administer paid sick leave

# Pros and Cons-Variou PSL Design Alternatives

## Issues to consider for multi-state employers

Type of Design	Description of Design	Pros	Cons
<b>Jurisdictional level</b>	42 (and counting) different designs (plus a design(s) for non-PSL work locations)	<ul style="list-style-type: none"> <li>No work location or employee gets a more generous design than required by law</li> </ul>	<ul style="list-style-type: none"> <li>Impractical to administer</li> <li>Does not facilitate transfers</li> </ul>
<b>State level</b>	Every work location in a state gets the most generous design applicable in that state (plus a design(s) for non-PSL work locations outside of the PSL states)	<ul style="list-style-type: none"> <li>Fewer locations to administer</li> <li>Easy to communicate</li> <li>Facilitates in-state transfers</li> </ul>	<ul style="list-style-type: none"> <li>At 15 current designs (and counting) this is still an impractical number of designs to administer</li> <li>Does not facilitate regional or nation-wide transfers</li> </ul>
<b>Regional level</b>	Every work location in a region gets the most generous design applicable in that region (could apply to work locations in states in the region that do not have any PSL mandates)	<ul style="list-style-type: none"> <li>Even fewer locations to administer (approximately 3-4 designs currently)</li> <li>Easy to communicate</li> <li>Facilitates broader transfers</li> </ul>	<ul style="list-style-type: none"> <li>Does not facilitate nation-wide transfers</li> </ul>
<b>National level</b>	One single design for all PSL jurisdictions in the country, using the most generous design from among the 42 (and counting) PSL jurisdictions (plus a design(s) for non-PSL work locations)	<ul style="list-style-type: none"> <li>Easy to communicate</li> <li>Easy to administer</li> <li>Employees can transfer anywhere in the U.S. and be subject to the same rules</li> </ul>	<ul style="list-style-type: none"> <li>Overly generous</li> <li>Subjects all locations to the most onerous tracking and disclosure rules</li> </ul>

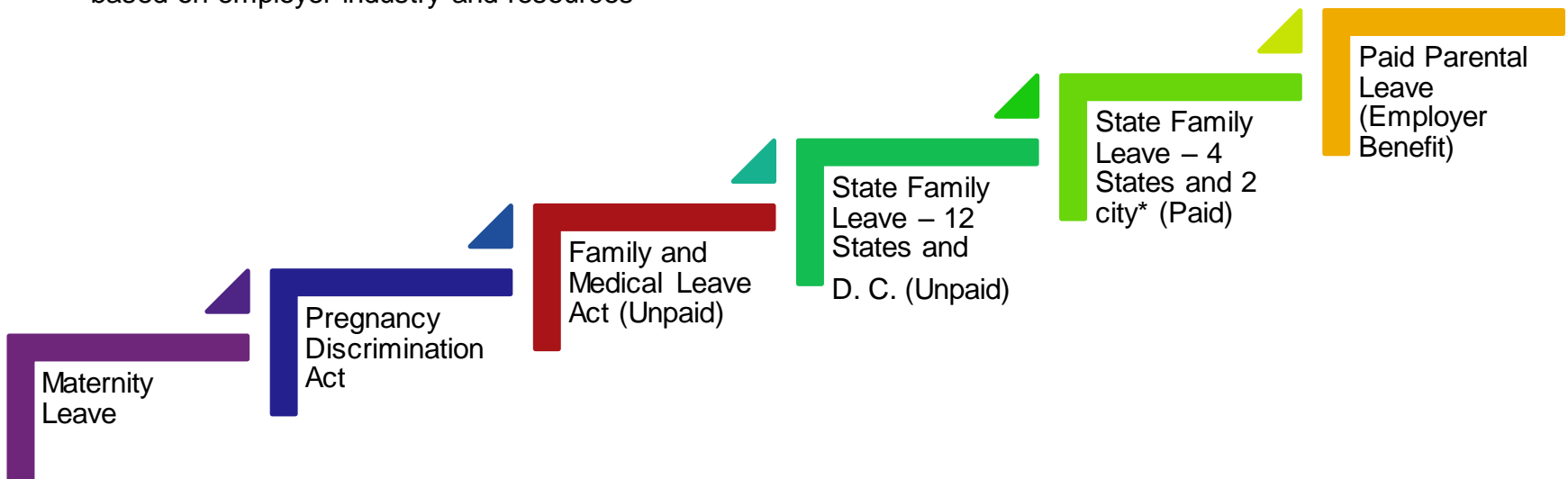


.....And Now Includes Paid Family



# United States | Paid Parental Leave Progression

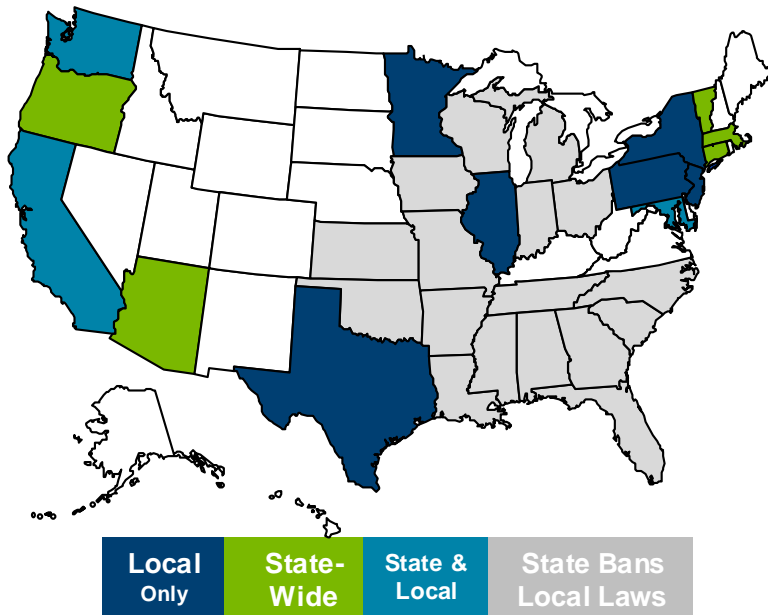
- The Family and Medical Leave Act federal regulation falls short by only providing unpaid, job protected leave
- The progression to paid family leave has been much slower
- California, New Jersey, New York, Rhode Island and San Francisco; with Washington and District of Columbia joining the list in 2020
- Employers are attempting to bridge the gap by offering paid parental leave which ranges from 2 to 52 weeks based on employer industry and resources



*\*As of June 2017*

# Paid Sick & Family Leave

## 45 Mandates—So Far



### Paid Sick Leave

- To date **9 states, 34 municipalities** and **1 executive order**... and rapidly spreading
- Some common threads, but many local twists
- Many require eligibility for employees not typically covered under an employer plan

\*Current as of 3/4/18

### Trends in Paid Family Leave

- **Five states** – California, Rhode Island, New Jersey, New York, and Washington (2020)
  - Employee funded
  - Care of family member and new born
  - Same as state statutory disability benefit
- **One City and the District of Columbia** – San Francisco and Washington, D.C. (2020)
  - Employer funded; tops off state Paid Family Leave benefit
  - Care of family member and new born

### Federal Considerations

- Executive Order Paid Sick Leave effective for new contracts January 1, 2017 (no indications it will be rescinded)
- Various approaches being proposed; one thread is exemption from local paid sick laws

# Paid Family Leave Laws: How They Compare

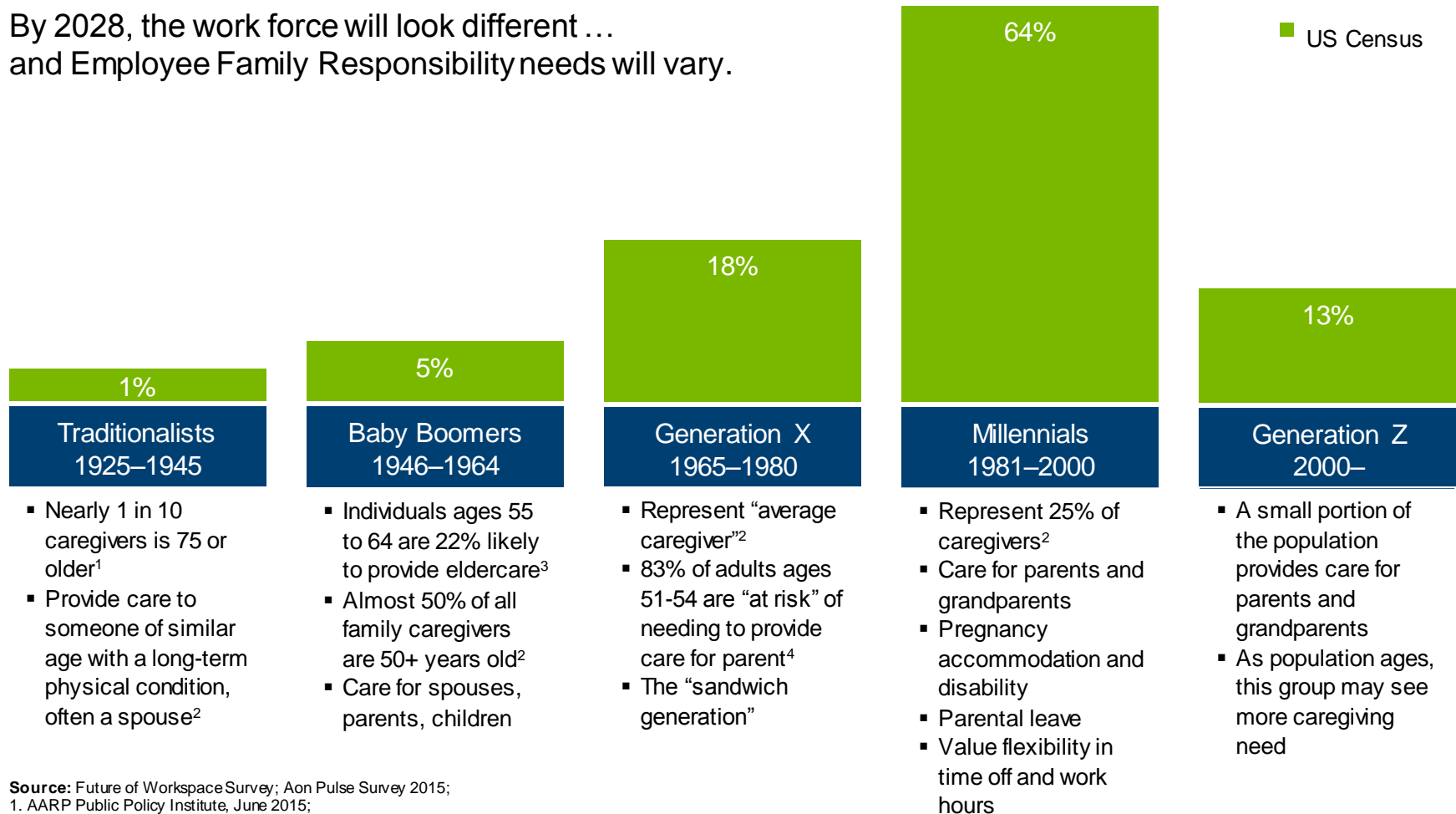
Policy	San Francisco	California	Rhode Island	New Jersey	New York
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>Have worked for an employer for at least 180 days</li> <li>Perform at least 8 hours of work/week in San Fran</li> <li>Work in San Fran for &gt;40% of weekly hours</li> <li>Apply for and receive CA PFL to bond with child</li> </ul>	<ul style="list-style-type: none"> <li>12 months with employer and at least 1250 hours of service</li> </ul>	<ul style="list-style-type: none"> <li>12 months with employer and who an average of at least 30 hours per week</li> </ul>	<ul style="list-style-type: none"> <li>12 months with employer and at least 1000 hours of service</li> </ul>	<ul style="list-style-type: none"> <li>Full-time employees (at least 26 consecutive weeks with employer)</li> <li>Part-time employees (at least 175 days with employer)</li> </ul>
<b>Reason for Use</b>	Bonding only	<ul style="list-style-type: none"> <li>Birth, adoption, or foster placement</li> <li>Employee's serious health condition</li> <li>Serious health condition of a family member</li> </ul>	<ul style="list-style-type: none"> <li>Birth/adoption of child 16 or younger</li> <li>Employee's serious health condition</li> <li>Serious health condition of family member</li> </ul>	<ul style="list-style-type: none"> <li>Childbirth or adoption</li> <li>Serious health condition of family member</li> </ul>	<ul style="list-style-type: none"> <li>Birth, adoption, or foster placement</li> <li>Serious health condition of family member</li> <li>Qualifying exigency related to family in the military</li> </ul>
<b>Funding</b>	Employer	Employee	Employee	Employee	Employee
<b>Benefit</b>	<ul style="list-style-type: none"> <li>Top off CA PFL to allow EE to receive 100% of normal weekly wages, up to max benefit, during 6 weeks of CA PFL</li> <li>EE may be required to use up to 2 weeks of accrued vacation at start of leave</li> </ul>	<ul style="list-style-type: none"> <li>55% of wages for 6 weeks in 12-month period</li> </ul>	<ul style="list-style-type: none"> <li>4.62% of wages for 4 weeks in a 12-month period (yes, it's really 4.62%)</li> </ul>	<ul style="list-style-type: none"> <li>66% of wages for 6 weeks in a 12-month period</li> </ul>	<ul style="list-style-type: none"> <li>Phased in with 67% of wages for 12 weeks in a 12-month period by 2021</li> </ul>

# Paid Family Leave Laws: How They Compare—2020 Additions

	Washington (effective 1/1/2020)	Washington, D.C. (effective 7/1/2020)
<b>Eligibility</b>	Employees who have worked for an employer for at least 820 hours	Employees who have worked for an employer for at least some portion during the previous year. *Residents of other states with jobs in D.C. will be eligible for the benefit
<b>Reason for Use</b>	<ul style="list-style-type: none"> <li>▪ Birth, adoption, or foster placement</li> <li>▪ Employee's serious health condition</li> <li>▪ Serious health condition of family member</li> </ul>	<ul style="list-style-type: none"> <li>▪ Birth, adoption, or foster placement</li> <li>▪ Employee's serious health condition</li> <li>▪ Serious health condition of a family member</li> </ul>
<b>Funding</b>	Employee & Employer	Employer
<b>Benefit</b>	<ul style="list-style-type: none"> <li>▪ % of wages with weekly cap of \$1,000 or 90% of income if less</li> <li>▪ 12 weeks/16 weeks if for combination of birth/adoption and serious medical condition</li> <li>▪ 2 additional weeks if there is a serious health condition with pregnancy</li> </ul>	<ul style="list-style-type: none"> <li>▪ % of wages with weekly cap of \$1,000</li> <li>▪ 8 weeks within a 52-week period to new parents</li> <li>▪ 6 weeks for the care of a family member with a serious health condition</li> <li>▪ 2 weeks for an employee's own medical leave</li> </ul>

# A New Workforce Is Emerging

By 2028, the work force will look different ...  
and Employee Family Responsibility needs will vary.



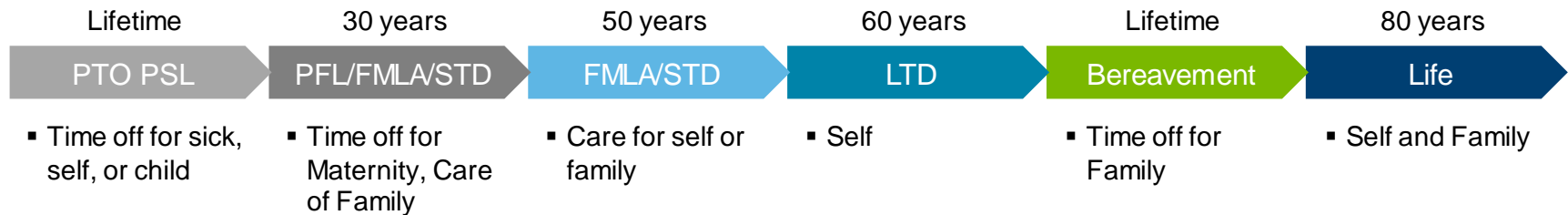
Source: Future of Workspace Survey; Aon Pulse Survey 2015;  
 1. AARP Public Policy Institute, June 2015;  
 2. AARP Caregiver Profiles, 2015;  
 3. Bureau of Labor Statistics;  
 4. Urban Institute, 2015.

# Time Off and Leave Needs Across An Employee's Lifetime

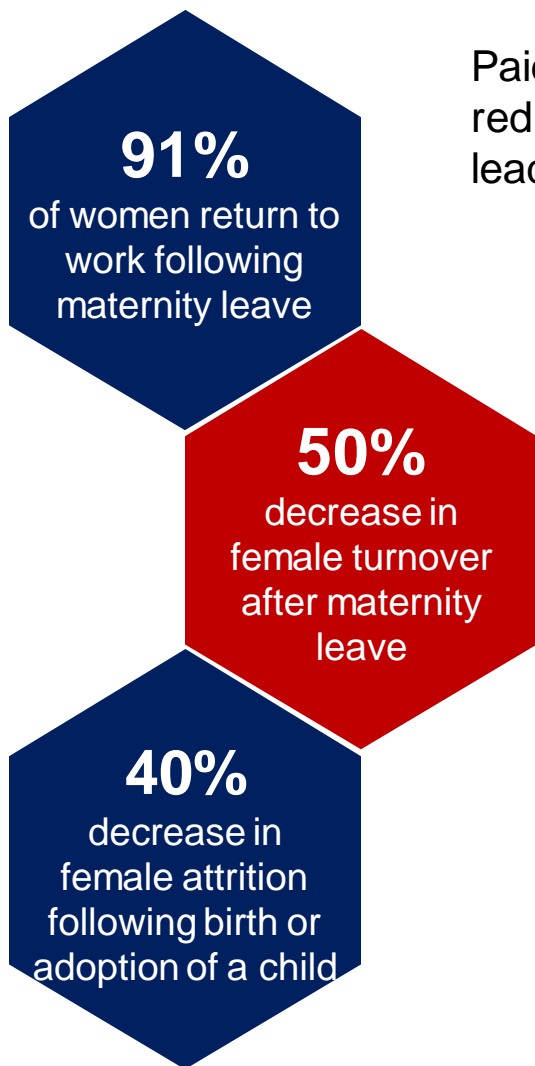
## Year Legislation or Trend Occurred



## Age of Employee



# Benefits of Paid Leave



Paid Family Leave policies can boost employee retention, reduce turnover costs and help to diversify company leadership teams

= Good For Business

77% of workers said that paid family leave could sway their choice of employer

80% of companies with paid family leave reported a positive impact on morale, more than 70% also reported boost in productivity

92% of companies with a paid family leave policy reported that it had a positive effect or no effect on profitability

HR leaders most frequently cited the ability to reinforce the organization's values as the #1 benefit of an improved paid family leave policy

Source: Boston Consulting Group, *Why Paid Family Leave is Good Business*, 2017



# Paid Parental Leave

Family Friendly

Some companies are expanding to a Care Giver Leave

## What's the Difference?

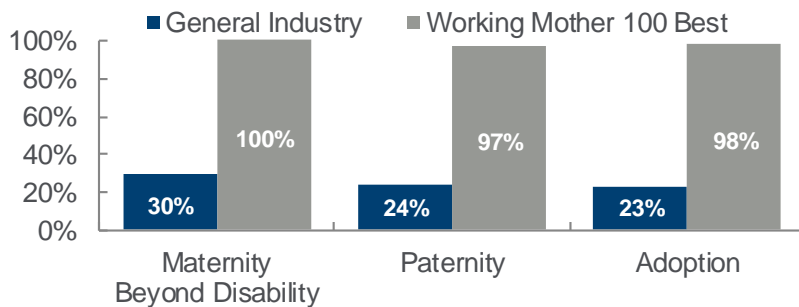
**Maternity** – Medical disability leave provided to birth mothers (6-8 weeks, median additional bonding leave is 3 weeks)

**Paternity** – Paid leave to fathers (median 2 weeks)

**Adoption** – Paid leave to adopting parents (median 4 weeks)

**Parental** – Paid leave offered to all parents with new child, provided on top of maternity disability leave (median 2 weeks)

## Paid Leave Prevalence



Average duration for Working Mother's 100 Best:

- Maternity= 10 weeks
- Paternity= 4 weeks
- Adoption= 6 weeks

## Leading the Way



**Many in Tech & Finance** – Netflix, Amazon, Microsoft, Google, Facebook, American Express, Bank of America and others

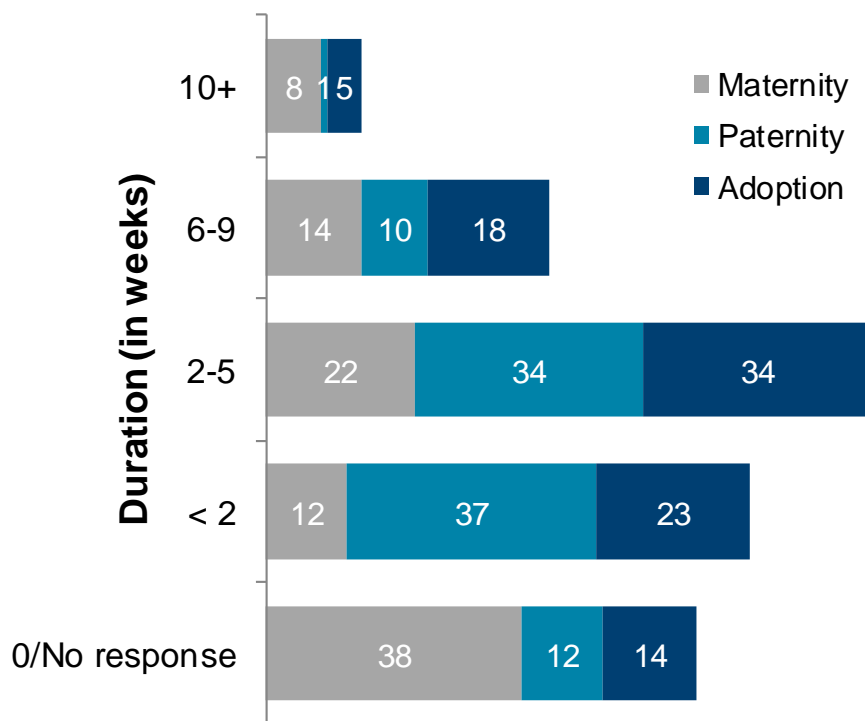
**2-4 months** paid parental leave common for leaders

**Objectives** – Attract and retain key talent, increase engagement, and promote work/life balance

Source: Aon Hewitt Benefit SpecSelect 2017  
Working Mother 100 Best, 2017

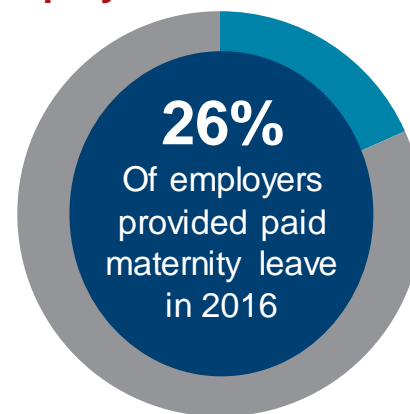
# Parental Leave Trends

Of 444 respondents, Aon reports 21% of firms offer paid leave:

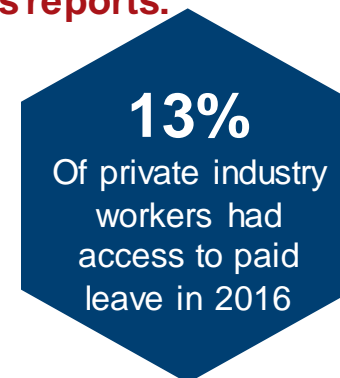
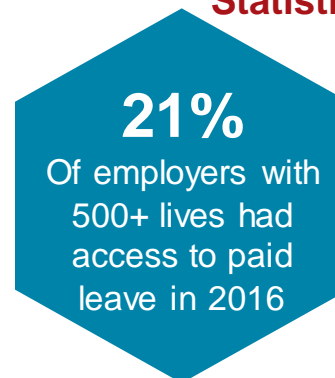


\*Represents employers with less than 5000 lives and an underlying STD plan in place, population is salaried only.

According to the SHRM Employee Benefits survey:



The Bureau of Labor Statistics reports:



Source: Aon SpecSelect, 2016; Bureau of Labor Statistics, 2016; SHRM Employee Benefits Survey, 2016.

# Parental Leave Trends

## Need

Use of Paid Family Leave has **increased** likelihood of mothers returning to work after child birth<sup>1</sup>

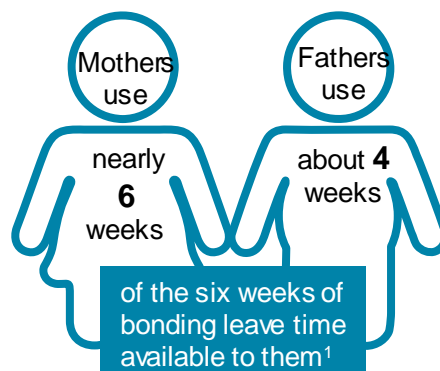
**Mothers** are the sole or primary breadwinner in 40% of all families with children<sup>2</sup>

Paid maternity leave **increases worker retention** and reduces turnover<sup>3</sup>

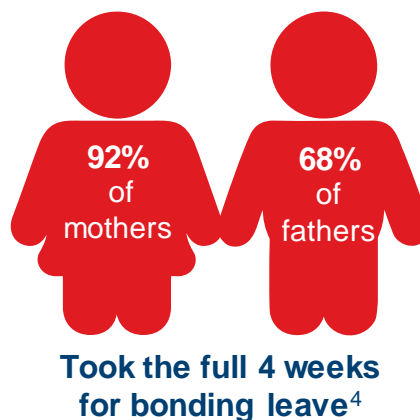
Paid leave leads to **better health outcomes** for both parents and children<sup>3</sup>

## Utilization

### In CA:



### In RI:



Over **80%** of claims filed in NJ were child bonding claims<sup>5</sup>

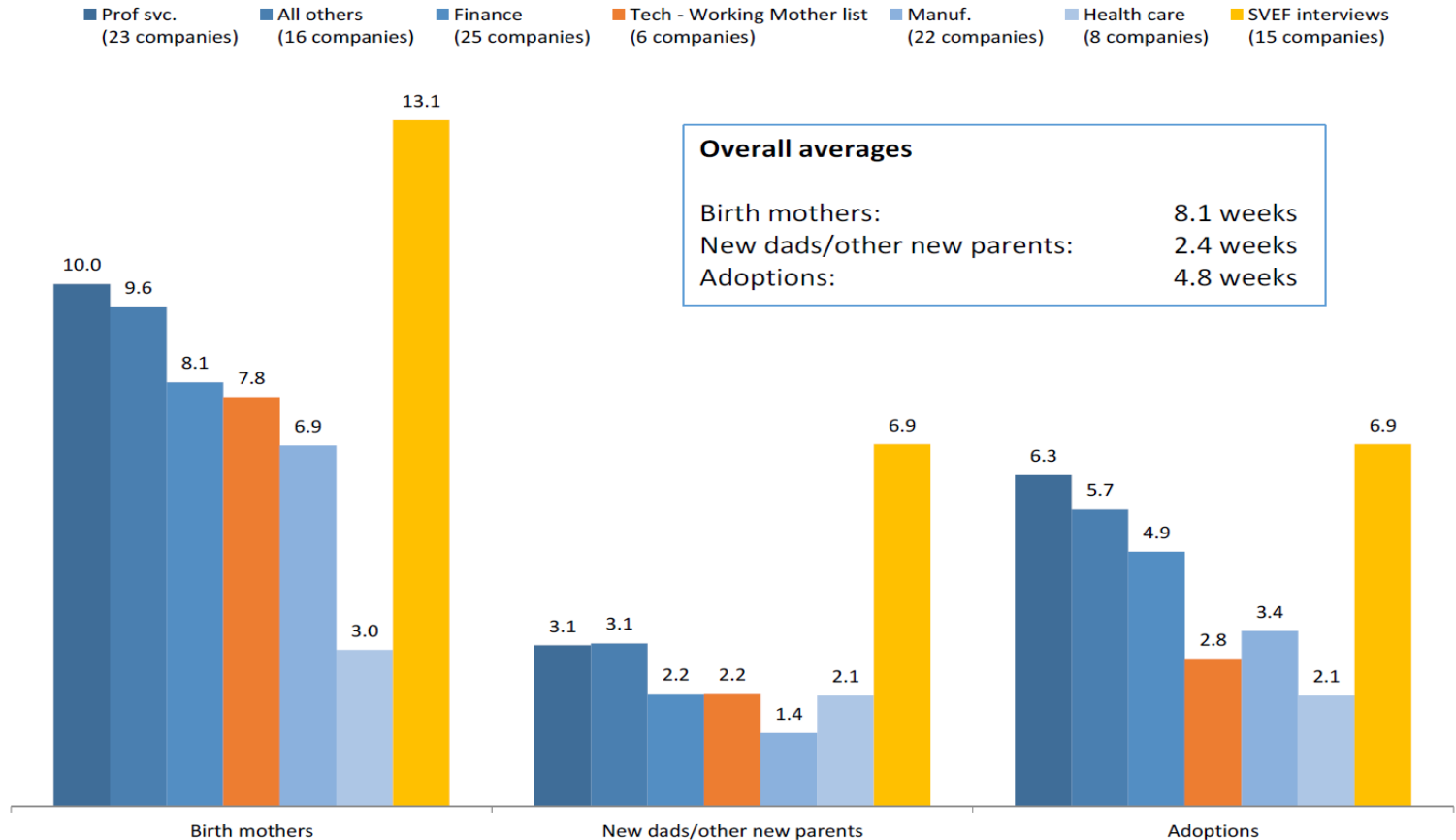
Over **67%** of bonding claims in CA were made by biological mothers<sup>1</sup>

Adoptive and foster parents appeared to use CA Paid Family Leave at very low rates, though data is extremely limited<sup>1</sup>

**Source:** 1. California Employment Development Department, 2015; 2. Pew Research Center, 2016; 3. Department of Labor, 2016; 4. Rhode Island Department of Labor and Training, 2016; 5. New Jersey Department of Labor and Workforce Development, 2015.

# Paid Parental Leave by Industry

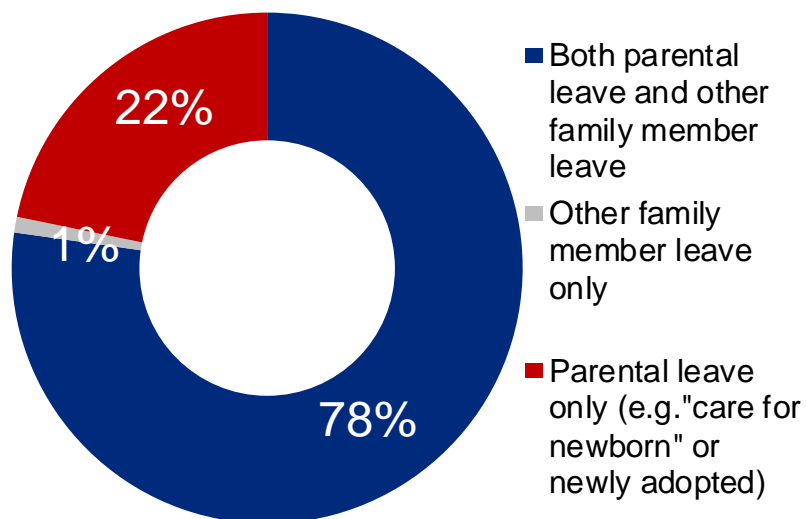
## Avg. fully paid weeks off



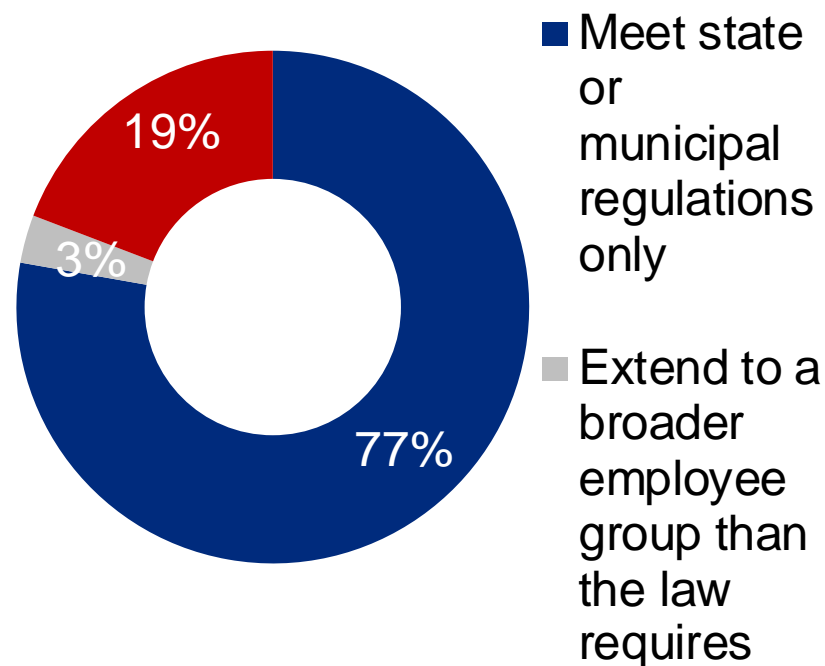
Source: Working Mother Research Institute; Integrated Benefits Institute

# Paid Family Leave-National Perspective

## Paid Family Care Coverage



## Paid Family Care Regulations

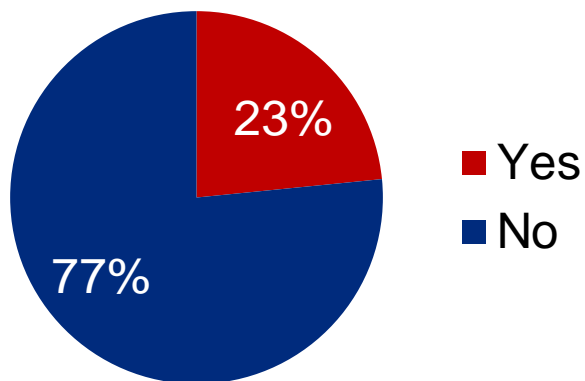


- Results from a survey of 1,134 employers across the U.S. representing various industries and group sizes

Source: 2016 DMEC Employer Leave Management Survey White Paper

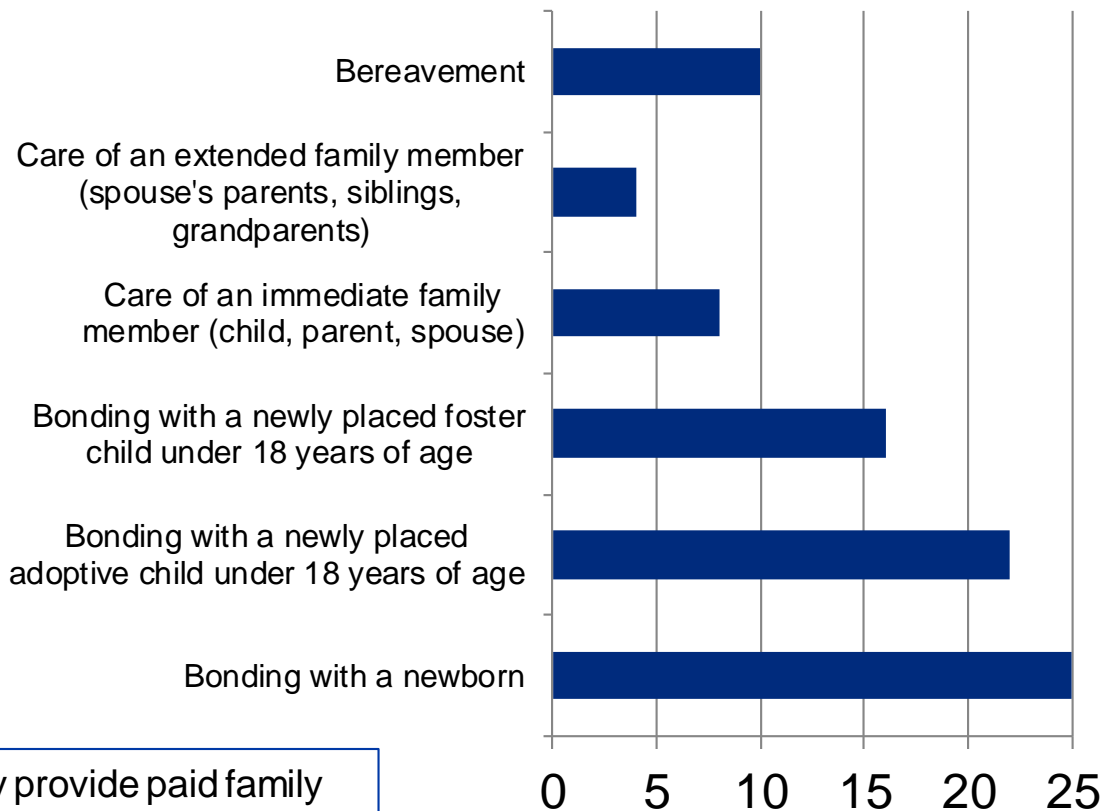
# Prevalence of Paid Family Leave

When asked, “Does your organization offer paid family leave as a separate paid leave?” Employers responded:



N=111

Of the 25 respondents who replied “yes”, Employers allow paid family leave to be taken for the following reasons:

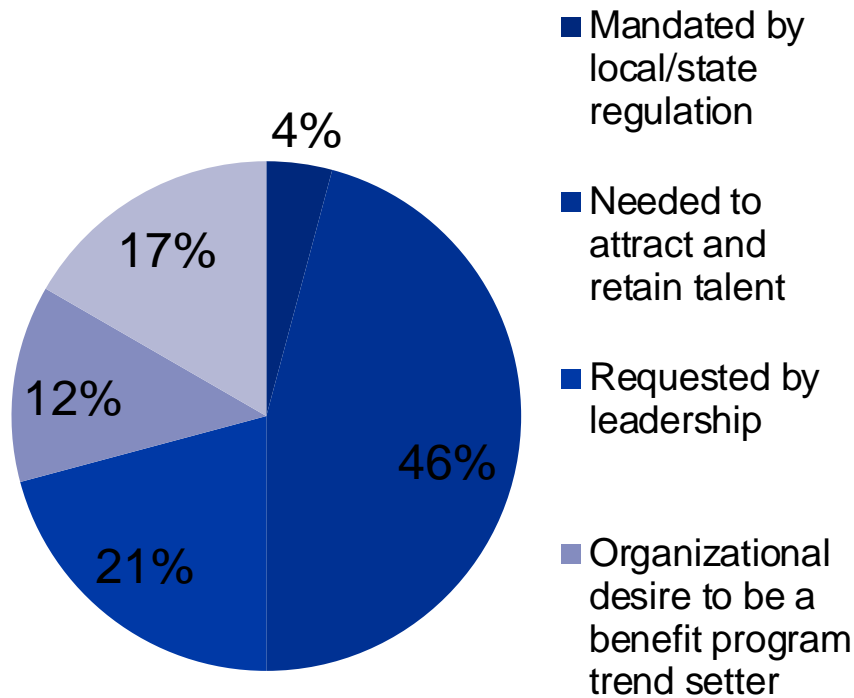


Of the employers who do not currently provide paid family leave (time off to care for the medical needs of a family member), 21.95% stated they are likely to pursue this type of leave benefit within the next 3 years.

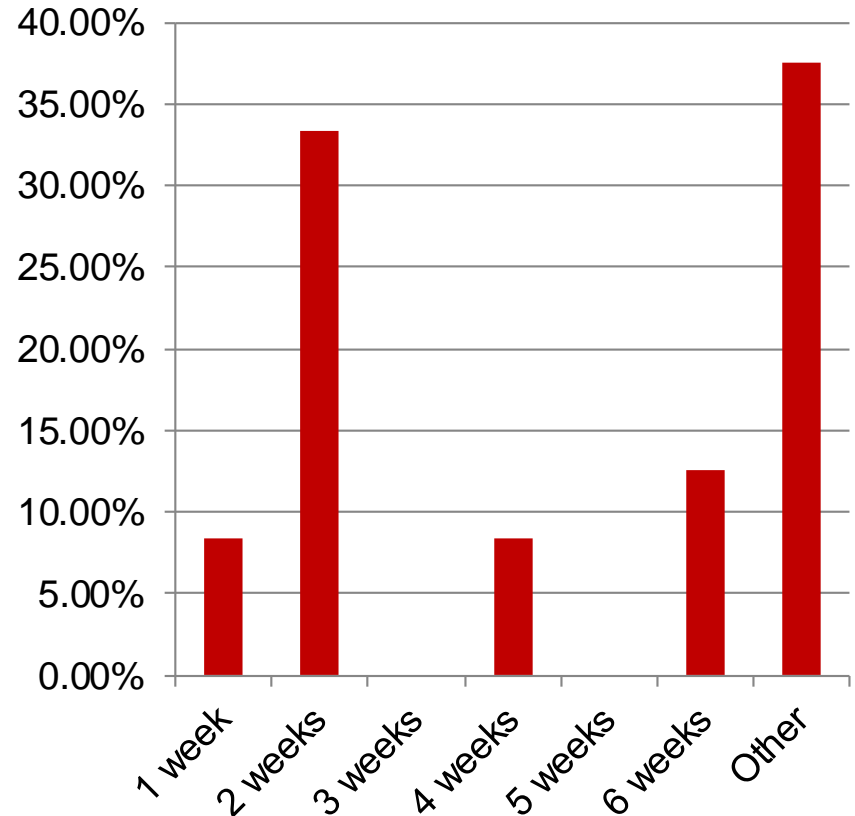
Source: Aon Pulse Survey, 2017

# Prevalence of Paid Family Leave

## Primary Motivation for Offering Leave



## Paid Family Leave Duration



Source: Aon Pulse Survey, 2017

# EEOC Guidance Regarding Parental Leave

---

## **The Equal Employment Opportunity Commission Defines the Relationship Between the Pregnancy Discrimination Act and Parental Leave**

EEOC guidance issued in July 2014 spoke specifically to equality in offering parental leave to men and women on same terms under the Pregnancy Discrimination Act (PDA):

- Although leave related to pregnancy, childbirth, or related medical conditions can be limited to women affected by those conditions, if an employer provides parental leave, it must be provided to similarly situated men and women on the same terms. The guidance stated that “for purposes of determining Title VII's requirements, employers should carefully distinguish between leave related to any physical limitations imposed by pregnancy or childbirth (described in this document as pregnancy-related medical leave) and leave for purposes of bonding with a child and/or providing care for a child (described in this document as parental leave).”
- If, for example, an employer extends leave to new mothers beyond the period of recuperation from childbirth, it cannot lawfully refuse to provide an equivalent amount of leave to new fathers for the same purpose



# EEOC Guidance Regarding Parental Leave: Examples

	Scenario A	Scenario B
<b>Facts</b>	An employer provides a pregnant employee with paid pregnancy-related medical leave as part of its short-term disability insurance. The employer also offers new parents, whether male or female, six weeks of parental leave.	An employer provides medical leave for women with pregnancy-related conditions as part of its short-term disability insurance <b>and also</b> provides paid leave for new mothers to bond with and care for their new baby but does not provide any paid parental leave for fathers.
<b>Discriminatory Under the PDA?</b>	No	Yes
<b>EEOC Reasoning</b>	Leave related to pregnancy, childbirth, or related medical conditions can be limited to women affected by those conditions. However, parental leave must be provided to similarly situated men and women on the same terms.	This policy violates Title VII because it does not provide paid parental leave equally to men and women.

# The ABCs of Paid Parental Leave Design

Employers seeking to develop a paid parental leave will need to consider the following factors in addition to defining a benefit amount and duration:

- **Administration**
  - Internal vs. External
  - System Limitations
- **Benefit Amount**
  - Paid vs. Unpaid
  - Percent of Pay (tiered vs. not tiered)
- **Coordination of Benefits**
  - Coordination with federal and/or state leaves
- **Duration of Benefits**
  - Continuous vs. Intermittent
  - Limited vs. Unlimited
- **Employee Eligibility**
  - Tenure Requirement
  - Full-Time vs. Part-Time
- **Financial Impact**
  - Population Modeling
  - Actuarial Analysis Variables:
    - Demographics
    - Leave Utilization
    - Adoption/Foster Claims



## About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

© Aon plc 2018. All rights reserved.

[aon.com](http://aon.com)

Three Alliance Center  
3550 Lenox Road NE | Suite 1700  
Atlanta, GA 30326

t + 1 404.264.3091

