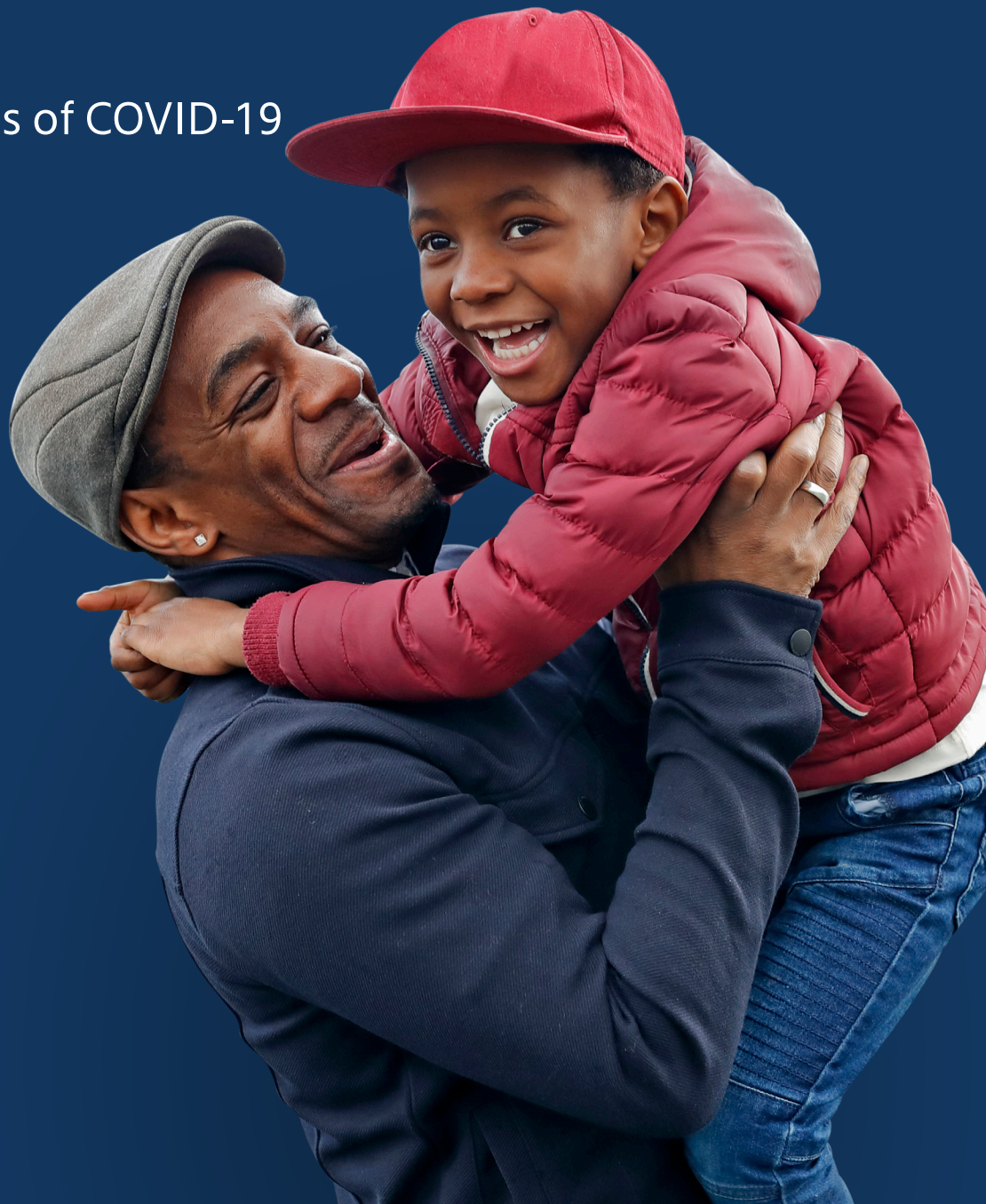


The future of parental leave in a post-pandemic world

The implications of COVID-19

July 2020



Introduction

The line of thought that diverse teams lead to greater levels of performance, innovation and results is not a new one. Yet organisations around the world have found it extremely challenging to diversify their workforces from top to bottom. At the beginning of 2020, there were only five female CEOs in the FTSE 100,¹ and of the top 3,000 companies in the United States, less than 6% were run by women.²

Organisations need leaders who champion diversity and inclusion (D&I) and eliminate gender bias — and also take personal responsibility for it. Progressive parental leave policies and programmes are a vital step towards creating the cultural foundations for diverse organisations to flourish. Given how fast life has changed this year, these appear to be more critical than ever. The COVID-19 pandemic has fundamentally changed what it means to be a working parent. Employees are combating school closures, the task of home-schooling and a lack of childcare support, all while trying to hold down a nine-to-five during a time of extreme financial uncertainty.

New research by Great Place to Work provides some light to organisations and individuals facing these challenges. They found that companies with strong D&I efforts that support disadvantaged employee groups, such as women and certain ethnic groups, are more

resilient during a recession. Their stock performance increased by 14.4% on average between 2007 and 2009, while the S&P saw a 35.5% decline during the same time.³ Organisations are facing the most significant recession in human history. Mercer's 2020 *Global Talent Trends* study suggests that balancing economic decision-making with an empathetic understanding of employees will be crucial to survival. Parental leave policies provide an opportunity to create a work environment where diverse workforces can create impact. In turn, diversity of thought gives people, organisations and society the ability to successfully navigate this pandemic and become stronger.



¹Business Leader. "Discover the FTSE 100 Female CEOs of 2020," March 18, 2020, available at <https://www.businessleader.co.uk/discover-the-female-ftse-100-ceos-of-2020/81145/>.

²Fuhrmans V. "Where Are All the Women CEOs?" *The Wall Street Journal*, February 6, 2020, available at <https://www.wsj.com/articles/why-so-few-ceos-are-women-you-can-have-a-seat-at-the-table-and-not-be-a-player-11581003276>.

³Great Place to Work. "Hidden Pieces of the D&I Puzzle," 2020, available at <https://www.greatplacetowork.com/resources/reports/the-d-i-puzzle>.

Parental leave in a pre-COVID world

In recent years, the tightening of talent markets and the changing skill requirements of jobs and organisations have led to fierce competition for talent. An equitable and inclusive leave policy has become a key driver in attracting and retaining employees.

In response, we have seen organisations adopting parental leave policies that are more generous. Parental leave policies touch on three crucial employee decision points — whether to join a company, whether to remain with a company when starting a family, and whether to return to a company after taking leave. Companies recognise that parental leave has become a critical tool in winning talent. Globally, we have seen some trends emerging among companies leading the way in driving the parental leave agenda:

- **Equalising benefits for all employees.** Companies are beginning to see people as people, regardless of their gender or sexual orientation and whether they are biological or adoptive parents.
- **Increased sense of responsibility.** Organisations are increasingly recognising their role in promoting family life (including extended family) and building a brighter future for all employees.
- **Focusing on attraction and retention.** Historic maternity and paternity leave practices are not fit to attract and retain the diverse talent needed for success.
- **Reintegration into the workplace.** Promoting a culture and policies that allow smooth reintegration into the workplace is key to retention and maximising the benefits of leave. As such, leave policies are increasingly being integrated with flexible working practices.

The degree of response varies — from companies that are more progressive to those that have been slower to improve their parental leave and flexible working offering, often only providing family leave and flexible working policies in line with statutory requirements. We can typically categorise levels of response according to three distinct groupings on our parental leave level continuum.



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	Basic parental leave	Moderate parental leave	Progressive parental leave
Typical characteristics	<ul style="list-style-type: none"> • Minimum paid leave • Leave for women only • Lack of flexibility • Men discouraged from taking leave 	<ul style="list-style-type: none"> • Market-aligned leave and pay levels • Combination of paid and unpaid leave • Some flexible working provisions 	<ul style="list-style-type: none"> • Above-market leave levels • Fully paid leave only • Gender-neutral policies • Equal leave levels for the primary and secondary caregiver (including adoption)

While organisations are making progress, challenges persist in terms of process and cultural influences. Uptake by fathers is typically low, with Mercer's 2020 When Women Thrive research finding that although 80% of large global employers do explicitly offer paternity leave (paid or unpaid), nearly a quarter of men in G7 countries decline to take it.⁴ Given these countries should be leading the way on these types of issues, this is evidence that more should be done to encourage men to take leave — for example, with

strong role models and case studies. We have also seen limited progress globally in introducing more managerial training to support employees. Only 33% of organisations train managers to support employees through parental leave and a flexible return-to-work.⁵ To put these policies into action, organisations need to consider manager capabilities to reduce the bias surrounding parental leave and the negative effect leave has on career development.



⁴ Mercer. *When Women Thrive: Let's Get Real About Equality*, 2020, available at <https://www.mercer.com/our-thinking/next-generation-global-research-when-women-thrive-2020.html>.

⁵ Ibid.

The impact of the pandemic

The global pandemic has challenged the resilience of organisations and parents across the world. What it means to be a working parent has changed overnight, and we are seeing employers increasingly balance economics and empathy as they respond to the crisis.

With legally enforceable lockdowns instated to varying degrees around the world, organisations have had to close offices and make short-term investments that place the well-being of individuals and society at their core. While certain aspects of life have been paused during the pandemic, parents continue to give birth, houses have become offices and classrooms, and there has been a heightened responsibility for caring for elder parents, all while social distancing. This new way of life affects parents in many ways:

- **Working patterns.** In light of these circumstances, parents may find themselves working longer hours and changing their working structures to fulfil their duties at work.
- **Heightened concern for children.** Parents are left apprehensive about the impact the pandemic and home-schooling have on their children.
- **Productivity and performance.** In grappling with a new working model, employees may experience an impact on their performance and ability to engage with their work.

Our 2020 *Global Talent Trends* study shows that two in three (63%) employees felt at risk of burnout before the pandemic began.⁶ Given the intensity and uncertainty around the current epidemic, parents and caregivers will now likely experience an increased sense of emotional and physical pressure. To combat this, organisations should exercise as much flexibility as possible and navigate COVID-19 by making decisions that consider the short-term financial investment in putting employee's health and well-being first.

Technology companies are at the forefront of those responding quickly by introducing additional policies that support parents. Microsoft announced in mid-April that it would provide additional paid parental leave to all of its full-time employees under its new 12-week Paid Pandemic School and Childcare Closure Leave Policy. Parents who work for Microsoft can choose how and when they use the leave (continuously or broken up). Additionally, Google is giving up to 14 weeks' paid leave, an increase from six weeks, to parents and caregivers juggling family life and work. Employees have been told that they can take up to seven weeks in a row and, if necessary, increments of either full or half days. Now, more than ever, organisations must empathise with their employees' individual needs and circumstances.

⁶ Mercer, *Global Talent Trends 2020: Win with Empathy*, 2020, available at <https://www.mercer.com/our-thinking/career/global-talent-hr-trends.html>.

Reinventing the future

The reality is that the pandemic affects all organisations in some form. However, as the challenges of the future arise for all, opportunities will also present themselves to individual organisations. The most successful organisations — those that will remain relevant and attractive to employees — will acknowledge the changing environment for parents, nurture their employees and adapt to consider this. Those who step up now to meet the needs of their employees will have the opportunity to thrive in the future.

The turbulence that the pandemic presents can lead to organisations freezing. The inability to act will likely deepen the lasting impact the virus has on these organisations. The challenges organisations must get to grips with span five key areas:

- **Retention of key talent.** Parents who are unable to manage the increased complexities of parenting and working at their organisation will leave. History dictates that the long-term impact on women will be most significant, with nearly 30% of mothers reducing their working hours in the UK due to childcare, compared with less than 5% of men.⁷ When coupled with the fact that single parents are typically women, COVID-19 poses significant challenges when strengthening the female talent pipeline.
- **Future spikes in infection rates.** As the number of infections declines and social distancing is relaxed, the likelihood of a second wave of infections will increase. This could ultimately lead to lockdown restrictions being re-imposed. If offices and schools are forced to reclose, parents will face precisely the same challenges all over again.
- **Reduced childcare support.** The coronavirus has reduced the availability of childcare. Social distancing means that grandparents/vulnerable adults and those currently infected are no longer able to offer childcare support. One of the challenges facing parents will be flexing how they source childcare, depending on the state of the virus, school openings and reclosures and school holidays.
- **Parents' well-being.** With employees already at risk of burnout before the pandemic broke out, this risk will undoubtedly increase with parents facing greater responsibilities and pressures. Employee well-being will have a significant bearing on an organisation's ability to rebound quickly post-pandemic. Further, a global pandemic can have profound implications on personal priorities, and employees may leave to align their work and life with this new focus.
- **Children's well-being.** The confusion of the pandemic, and the presence of their parents working from home and having more family-related time, might impact children's well-being if their parents were to return to their previous working patterns and offices. In turn, this could lead to parents needing to take more time off in the future, or worse, leave their job.

⁷ Office for National Statistics. *Families and the Labour Market, UK: 2019*, available at <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/familiesandthelabourmarketengland/2019>.

Although these challenges are significant, organisations now face the task of reshaping their new reality and ensuring parents and caregivers remain energised. Companies can take some critical actions to get ahead, and what is right for you will depend on where you are on the journey:


- **Enhancing policy design and governance.** While certain statutory levels must be met, organisations must go beyond minimum standards to support parents. For example, there should be increased levels of leave available to men, with an increase in encouragement to take leave, and a focus on sharing leave between parents. The governance and removal of bias (towards those who take leave) from different processes, such as performance management and succession planning, are critical to the effective implementation of the policy itself.
- **Communications that create impact.** Ensuring a communication strategy that triggers behaviour change and increases engagement is vital, particularly during uncertain times. As working conditions continuously change, employers can provide tools and tips to help their employees work as efficiently as possible through dealing with home-schooling, childcare and increased work pressure. For example, employers can explain how employees can take advantage of different leave programmes and employee assistance programmes through written communication, leadership videos and manager briefings. Employers should ensure employees are regularly informed about business decisions while on leave. And they should equip managers to have the right conversations by sharing manager guides on how to stay engaged with their employees during this time.
- **Designing a flexible working model.** Parents need more flexibility in the way they use the parental leave available to them. Their work patterns also require more flexibility, including when, where and how they do their work. Both will increase parents' abilities to manage their increasingly complex lives. Mercer's Adaptive Working 5D Model may provide some initial guidance to help companies through this.

Not sure where you are on the journey? Consider whether you ...


- Focus on maternity and paternity policies
- Have shifted to primary and secondary caregiving
- Have benchmarked your practices and are aligned to market
- Have benchmarked your practices and are above market
- Actively encourage employees to take leave
- Have strong role models and success stories



- **Driving D&I initiatives.** Our recent inclusion survey finds that during COVID-19, priorities have shifted to increased education around mental health and offering inclusive benefits. Building an inclusive culture remains in the top three priorities among employers.⁸ Employers must protect, introduce and drive D&I initiatives. To ensure inclusivity, parental leave and all practices and policies need to be equitable to both men and women. Organisations must remain committed to removing bias and stigma around men taking leave. An increased focus on this is vital for progression in the new world.
- **Supporting employee well-being.** Parents need to be able to work and look after themselves and their children. Mental and physical well-being are the cornerstones of an energised workforce. Thus organisations must design well-being programmes that resonate and ensure that employees can maintain their health during these uncertain times. Employers have been exploring novel methods of supporting well-being, with a strong focus on telemedicine. One example is women's health vendor Maven, which provides 24/7 coordinated care and virtual access to its telemedicine network for family planning and fertility support.



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⁸ Mercer. "Inclusion in a Time of Disruption: 2020 D&I COVID Survey."

Conclusion

Ensuring employees have the flexibility, tools and resources to manage their well-being and their family's well-being must come first. Organisations must carefully consider the policies and practices that are in place to support parents and careers through times of such pressure. Generally, the degree of response has varied between companies, with some offering more progressive policies, while others have been slow to improve their parental leave and flexible working offering. However, now more than ever, balancing economic decision-making with an empathetic understanding of employees is crucial.

Achieving flexibility is not easy; it requires strategic and organisational support to be successful. To create an inclusive parental leave policy, organisations need to think broadly about the workforce, processes, policies and the overall culture surrounding flexible leave. To further their efforts, organisations should exercise as much flexibility as possible and navigate COVID-19 by making decisions that consider the short-term financial investment in putting employees' health and well-being first. Careful consideration is needed now to ensure that organisations are taking steps to protect and drive support of flexible working practices at their core. When families thrive, so do men, women, organisations, communities and society as a whole. Providing the support, flexibility and leave that parents need is a great place to start navigating the workforce challenges that lie ahead.



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About Mercer

Mercer believes in building brighter futures by redefining the world of work, reshaping retirement and investment outcomes, and unlocking real health and well-being. Mercer's more than 25,000 employees are based in 44 countries and the firm operates in over 130 countries. Mercer is a business of Marsh & McLennan (NYSE: MMC), the world's leading professional services firm in the areas of risk, strategy and people, with 75,000 colleagues and annualized revenue approaching \$17 billion. Through its market-leading businesses, including Marsh, Guy Carpenter and Oliver Wyman, Marsh & McLennan helps clients navigate an increasingly dynamic and complex environment.

