In the Absence of U.S. Action on Paid Leave, Multinationals Make Their Own Policies

By Judith Warner and Danielle Corley   November 17, 2016

Over the past 18 months, a growing number of prominent U.S. companies have announced new and improved policies to grant their employees paid time off for caregiving. At the same time, with somewhat less fanfare, a number of multinational corporations—companies registered and operating in more than one country at a time—have gone even further, instituting so-called global policies that set minimum standards for paid leave for employees around the world.

In March 2015, British telecommunications company Vodafone announced that it would provide its employees with at least 16 weeks of fully paid maternity leave in all 30 countries where it operates. In June 2015, Nestlé, the Swiss food and drink giant, announced a global maternity leave policy that provides all primary caregivers of newborns—mothers, fathers, and adoptive parents alike—a minimum of 14 weeks of fully paid leave, as well as the right to extend that leave for an additional unpaid 12 weeks.

Spotify, the Swedish music streaming company, announced in November 2015 that it would begin offering all employees up to six months of parental leave with 100 percent pay that can be taken any time before a child’s third birthday. And in April of this year, the French cosmetics company L’Oréal announced it would grant a minimum 14 weeks of maternity leave and three days of paternity leave paid at 100 percent of salary to employees in all 67 countries in which the company operates.

Fundamentally, whether U.S.-only or global in scope, the new corporate policies stem from the same cause: The United States is the only advanced economy that does not guarantee any paid time off for mothers to care for a new child. For employees of multinationals, this unfortunate form of American exceptionalism can hit home in a particularly up close and personal way. A pregnant employee in the United States may face the prospect of no more than 12 weeks of unpaid leave, while a colleague in Germany who has equal standing and seniority can look forward to 14 fully paid weeks. A woman in France, meanwhile, is entitled to 16 paid weeks at full salary.
Multinational corporations’ new actions are an attempt to respond to this problematic human resources scenario. After all, if American employees receive far less in paid leave time, they notice. And if highly valued employees become unhappy with such contrasts, management takes notice too.

“Organizations don’t want to lose these people,” Pamela Lirio, assistant professor in the school of industrial relations at the Université de Montréal, said in a recent interview for this brief. “When you’re a global organization, you want your people talking, but you can’t stop them from talking, too. Organizations have to be aware of this. And usually the best thing is to adapt to it.”

This issue brief will explore why and how multinational corporations are taking extraordinary steps to compensate for the lack of American legislation on paid family leave. It will show that, under pressure, these companies are beefing up their paid leave offerings. But it will also demonstrate that, unlike the rest of the world, companies operating in the United States have to foot the bill for these policies. This brief will argue that national paid leave legislation, conceived along the lines of a social insurance model or a business-government partnership, would help even the playing field for these companies and also guarantee that what is currently a benefit for the most privileged employees becomes available for all workers.

The United States is an outlier when it comes to paid leave

While global paid leave policies are still minority practice, interest in them appears to be growing. Last spring, when the global human resources consulting firm Mercer surveyed 1,200 international companies about the scope of their paid leave policies, 36 percent of respondents reported they already had a global paid leave policy in place. Another 12 percent said they were considering such a policy.

That such policies exist at all is in some ways surprising. After all, multinational corporations must comply with the laws of the countries in which they operate and, where paid leave is concerned, it is normal business practice for them to provide their employees with the amount of paid leave that local regulations require. This means that the leave they are required to provide will vary enormously from country to country. In the European Union for example, where 14 paid leave weeks are the required minimum, maternity leave provisions can be as long as 42 weeks in Ireland and 58.6 weeks in Bulgaria. Furthermore, all nations must grant parents an additional four months of leave to care for a child up to age 8—or up to age 16 in the case of a child’s illness or long-term disability. Twenty-three of the EU’s 28 members also legislate paid leave for fathers, ranging in duration from 1 to 64 days.

And the EU is not alone in setting such standards: In the 35 member nations of the Organisation for Economic Cooperation and Development, or OECD, new mothers
are entitled, on average, to just under 18 weeks of paid maternity leave. Most of these nations provide payments that replace more than 50 percent of previous earnings.15

Among high income nations, only the United States breaks the mold entirely by requiring no paid leave for mothers of infants. Worldwide, the only other places where there is no universal statute that requires paid time off for mothers of infants are Suriname, Papua New Guinea, and a handful of small island countries.16

In the United States, three states—Rhode Island, New Jersey, and California—have instituted paid family leave programs. But the only piece of national legislation regarding time off for caretaking is the Family and Medical Leave Act of 1993, or FMLA. The FMLA guarantees workers the right to up to 12 weeks of unpaid, job-protected leave for the birth or adoption of a child or to take care of the worker’s or an immediate relative’s serious health condition. To qualify for FMLA leave, workers must have been at their jobs for at least one year, have worked at least 1,250 hours in the previous 12 months, and work for an employer with a minimum of 50 employees within a 75-mile radius.17 However, as ground-breaking as the FMLA was at the time of its passage, its limitations are such that roughly 40 percent of all workers today are excluded from its protections.18 Overall, only 13 percent of private-sector workers in the United States currently have access to paid family leave.19

What all this means is that multinational corporations operating in the United States face a highly unusual situation. Normally, their paid leave policies would follow—or build upon—statutory requirements set by government policy. In the United States, however, they cannot.

In the absence of national legislation, individual employees often have to negotiate paid leave in an ad hoc way. This places a distinct burden on workers, particularly pregnant women who are put in the position of bargaining to take time off and maintain their income while also dealing with the stresses and complexities of preparing to have a child. As Ariane Ollier-Malaterre, a professor in the organization and human resources department at the University of Quebec in Montreal School of Management put it in a recent telephone interview, “If the employee has enough human capital then the employee can negotiate ‘I-deals.’ But if not, you’re stuck. It’s a sort of dance and then there’s the employee trying to make sense of it.”20

Paid leave culture shock

For multinational corporations and their employees alike, the lack of U.S. policy is a burden. Given that every other advanced economy provides paid leave by law, the so-called global leave policies now increasingly in vogue among multinational corporations are, arguably, aimed at fixing an American problem.
Outside the United States, the issue of paid family leave is largely a fait accompli. When HR departments now talk about policies to help employees balance their work and home lives, the discussion largely centers on health and wellness, as well as flexible-time measures aimed at helping employees maintain a “general personal life outside of work,” as Adam Massman, senior manager of global organizational development and talent management at the Kellogg Company and his co-authors put it earlier this year. Paid time off to care for children is a public policy issue, not a matter for private enterprise—and it is supported by a public consensus dating back, in many nations, to the end of World War II.

As corporations have globalized and, in recent years, simultaneously sought to cut costs, many have started to send fewer employees overseas on full expatriate benefit packages. Traditionally, these packages have included such generous benefits as housing allowances and private schooling for children. Instead, multinational corporations have become more reliant on local labor. This means a growing portion of the multinational workforce is both covered by and acculturated to very different laws and customs surrounding paid leave. As awareness grows about the contrast between what is available for employees in the United States and overseas, the paid leave culture shock can be bad for morale—and bad for business.

A number of prominent HR consultants and academics specializing in international human relations told the authors in recent months that foreign professionals who might otherwise compete for a job in or transfer to the United States will avoid one if the timing corresponds with the point at which they would like to start a family. And for U.S. nationals living abroad, coming back to the United States as a new parent or parent-to-be can be an extremely rude awakening.

U.S. nationals living abroad who would prefer to deliver and raise their children in their home country, where they can benefit from the support of family, friends, and familiar health care providers, may be incentivized to remain overseas when they decide to start a family.

One employee of a multinational firm told the authors that although she wanted to return to the United States to have her first child, she struggled with the decision and considered remaining abroad, where she would have had access to more than nine months of paid leave benefits. Like many global companies, hers simply follows public policy when it comes to paid family leave—meaning that she was told that she would have zero days of paid leave to care for her new baby in America.

In the absence of public policy, employers foot the bill

With no legal requirement to provide paid leave and no national social insurance model to widely distribute the cost, it is not surprising that so many companies
operating in the United States simply follow the minimum requirements of the FMLA and state legislation. This is, once again, an effect of an unfortunate sort of American exceptionalism: The United States is one of the only developed countries where employers are required to foot the entire bill for paid leave—unless they operate in a few lucky states. In California and Rhode Island, for example, paid family and medical leave is financed exclusively through employee payroll taxes, and in New Jersey, leave for temporary disability—including pregnancy—is funded through a mixture of employer and employee contributions. Family care in New Jersey is funded through employee contributions alone.\textsuperscript{26}

Outside the United States, employer-funded paid leave is rare and is typically found in developing nations.\textsuperscript{27} The vast majority of developed economies rely instead upon a social insurance model in which individual workers pay into a social insurance fund, similar to workers in the United States who currently pay into Social Security.\textsuperscript{28}

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**Providing paid leave is good business**

The Mercer corporate survey of global paid leave practices turned up a curious result: Worldwide, despite the presence of paid leave legislation in other countries, 44 percent of the employers responded that they went beyond the statutory minimum in providing paid maternity leave—and 38 percent said they did so in providing paid paternity leave.\textsuperscript{29} Why do companies provide additional paid leave in countries where, by U.S. standards at least, the state provision is already quite generous? For the same reason that so many companies in the United States provide paid leave for at least some of their workers—it makes for good business. There is strong evidence that paid leave policies significantly reduce employee turnover—an expensive loss of human capital that can cost companies, on average, approximately 20 percent of each worker’s salary.\textsuperscript{30} Laszlo Bock, senior adviser at Google, noted that after the company increased its offered maternity leave from 12 paid weeks to five months of full pay and benefits and began to offer workers around the world seven paid weeks of new-parent leave, the attrition rate for new mothers dropped by 50 percent.\textsuperscript{31}

Attractive paid leave policies are also an important recruitment tool for both male and female employees, particularly for Millennials, who have long been known to expect and prize work-life balance.\textsuperscript{32} The Mercer survey indicates the value of paid leave policies for employee retention: 84 percent of respondents with operations in the United States that offered maternity leave said that less than 10 percent of their workers did not return after taking maternity leave. Interestingly, while opponents of paid leave mandates often argue that it is too expensive to have people out on leave, the U.S. numbers from the Mercer survey show that 78 percent of companies rely on other team members to share their colleagues’ workload and replace them while they are on maternity leave. Only 10 percent of companies in the United States hire an outside candidate for a temporary assignment. Globally, 50 percent of companies addressed these absences by sharing duties within the existing team, while 36 percent hired a temporary outside replacement.\textsuperscript{33}
Limitations to the business case for paid leave

Nestlé’s global paid leave policy is unusually egalitarian by U.S. standards: It applies to both salaried and hourly employees at every level, as well as to all part-time employees who regularly work at least 30 hours per week.34

Outside the United States, such coverage for part-time and hourly employees is not unusual: In the EU, for example, labor regulations stipulate that part-time workers must not have employment conditions that are less favorable than those of full-time workers.35 But in the United States—where there is no such legislation and where access to paid leave, outside three lucky states, is dependent upon employers’ good will and business interests—the very workers who need paid leave the most are also often the least likely to have it. Data from the Bureau of Labor Statistics show that those in the highest earnings quartile are more than four times as likely to have paid family leave as those in the lowest earnings quartile.36

Further, part-time workers, particularly those who are nonsalaried, are generally excluded from corporate paid leave policies in the United States. Although 16 percent of private sector full-time workers in the United States have access to paid family leave, according to the Bureau of Labor Statistics, that share drops to 5 percent for part timers.37 Mercer’s survey found that of the companies with employees and operations in the United States that provided paid maternity leave to their full-time workforce, only 29 percent offered the same benefits to part-time workers.38

Other groups most frequently left out of company paid leave policies in the United States are hourly workers and the contingent workforce, which includes the self-employed, gig economy workers, and independent contractors. The contingent workforce has been estimated to encompass anywhere from 5 percent to one-third of the U.S. workforce.39 Many companies in Silicon Valley rely on contract labor for all so-called noncore-competency jobs, which range from housekeeping and driving buses to testing software.40 These contracted workers are generally excluded from the generous paid leave policies for which tech companies have been widely applauded in the past two years.

Critics called out Netflix for this discrepancy in August 2015 when it rolled out a striking new plan for unlimited paid leave in the first year after a child’s birth or adoption for new mothers and fathers—and granted those benefits exclusively to its salaried workforce. In December, it changed the policy to partially cover hourly employees as well.41 Microsoft, on the other hand, distinguished itself among its tech peers in March 2015 when it announced it would require contractors with 50 or more employees to provide workers who have substantial Microsoft duties with at least 15 days of paid leave every year.42
In other countries, national paid family leave legislation provides minimum standards of protection for vulnerable categories of workers and plays a powerful role in establishing social norms around taking leave and caregiving. In the absence of such laws in the United States, the crucial matter of time for caregiving is subject to the will of the free market and the whims of managers. In the world of multinational corporations, even employees considered to be highly desirable talent may find themselves stressed and squeezed as they are forced to wade through multiple levels of bureaucracy to figure out to which sort of leave they are entitled.

From perks to policy: Why paid leave must become law

The problem with relying on the private sector to provide paid family leave is that the justification for doing so—a business case based largely on the need to compete for and retain top talent—confers no protection to the portion of the workforce that is low-skilled and highly replaceable. Indeed, the turnover costs for these workers are low enough that many corporations now consider the losses an acceptable part of the price of doing business.

To bring paid leave to all workers, the United States must adopt national paid family leave legislation. Such legislation, conceived along the lines of a social insurance model or a business-government partnership, will ensure that workers up and down the income scale—in all industries and sectors—working full time, part time, and as independent contractors, will have income coverage when they need time for caregiving. A strong national policy must be available to all workers, comprehensive and specific in addressing serious family and medical needs, affordable and cost-effective, inclusive of diverse families, and available without adverse employment consequences.

Currently, a legislative vehicle is pending in Congress that meets all these criteria and would operate along the lines of a social insurance model: the Family and Medical Insurance Leave, or FAMILY, Act, introduced by Sen. Kirsten Gillibrand (D-NY) and Rep. Rosa DeLauro (D-CT), along with 150 cosponsors. In October, Spotify endorsed the FAMILY Act—the first foreign multinational corporation in the United States to do so.

Conclusion

In the past year and a half, several multinational corporations have made headlines for announcing global paid leave policies. Yet these companies are largely outliers. Multinational corporations are bound to comply with the statutory regulations of the countries in which they operate, and many do not go beyond these requirements.
The United States’ only piece of national legislation regarding paid leave—the Family and Medical Leave Act of 1993—is greatly out of step with the laws of other nations, meaning all but the most privileged U.S. workers have far less time to bond with and care for young children than workers in other countries. U.S. employees of multinational corporations lose out when compared with colleagues of the same status and pay who are fortunate enough to live in more generous nations. The United States’ lack of national paid leave legislation also means businesses are on the hook for providing workers with paid leave—a stark contrast to most other developed countries. Lacking paid family leave for all, paid sick leave for all, and accessible, affordable high-quality child care, the United States has fallen far behind its peers in its ability to support working families and promote women’s economic security. It has, arguably, become a hardship destination for foreign professionals who are eager to start families.

The United States can—and must—do better. Currently, much of what is motivating the drive in this country for bigger and better paid private sector leave policies is competition. But the fight for top professional talent and media attention—the “paid leave arms race,” as Fortune described it in September—can only go so far. At some point, the spotlight will shift. And without a national public policy solution, vulnerable workers will be no better off than they are today.

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10 While the preferred term in the United States is now the gender-neutral “paid family leave” or “paid family and medical leave,” other countries speak of maternity leave, paternity leave, and parental leave, which is a form of leave-taking that kicks in after maternity and/or paternity leave is exhausted. As has become common in the U.S. context, this brief uses the terms “paid family leave” and “paid leave” interchangeably to mean paid leave for caregiving. It uses the term “maternity leave” for the sake of consistency in international comparisons.


12 Schulze and Gregoric, “Maternity, paternity, and parental leave: Data related to duration and compensation rates in the European Union.”

13 Ibid.

14 Ibid.

15 Organization for Economic Cooperation and Development, “PF2.1: Key characteristics of parental leave systems.”


25 Interview with authors, Washington, D.C., September 19, 2016.


28 Ibid.

29 Mercer, “Mercer Employee Benefits Guidance in 77 Countries.”


34  Personal communication with Liz Caselli-Mechael, manager of Corporate Communications, Nestlé Corporate Affairs, September 28, 2016.


38 Mercer, “Mercer Employee Benefits Guidance in 77 Countries.”


45 Glynne, “Administering Paid Family and Medical Leave.”


