

# Paid Time Off and Paid Leave in the War for Talent

January 2022

Part III in our series, *The Role of Benefits in the War for Talent.*





We've all seen the headlines about the "Great Resignation" and the incredible amount of movement in the workforce. It hasn't let up — in fact, the Labor Department reported that nearly 4.5 million Americans quit their jobs in September 2021, almost 1 million more than had left employment in September 2019.

For top employers, however, this disruption is being viewed instead as a Great Attraction. It's viewed as an opportunity to not only retain top talent, but to attract even more. And for many employers, one of the most effective tools in their recruitment strategy is their paid time off (PTO) and paid leave policies.

**IT'S WHY LOCKTON HAS BUILT THE INTEGRATED ABSENCE SOLUTIONS (IAS) TEAM OF EXPERTS TO HELP NAVIGATE THE CHALLENGES OF ABSENCE MANAGEMENT.**

Dedicated specialists take an uncommon and comprehensive approach to absence management solutions to help businesses retain and attract top talent while remaining compliant with the myriad of state and federal laws governing leaves.



# Evaluating your current PTO and paid leave policies

While pay, flexibility and culture are critical tenets of an effective recruitment and retention strategy, PTO and paid leave is increasing as a competitive advantage.

**Key questions to consider include:**

- Are employees' different life stages reflected by offering different types of leave?
- Are you continually being asked to make exceptions to your PTO/vacation policy for new hires?
- Is your leave policy aligned with an integrated diversity, equity and inclusion program?
- Does your leave policy offer flexibility in a time when the pandemic has made this a priority?
- Does your PTO/vacation policy appropriately coordinate with your approach to paid leave and disability?
- Are your PTO and paid leave policies in compliance with state and local mandates?
- Does your geographic footprint create inequity in pay and leaves due to rapidly expanding state and local leave laws?

As an employer's leave program has become critical to attracting and retaining talent, now is the time to revisit how leave fits into your own strategy for recruitment and retention.

# PTO and vacation landscape

Going back several years, many employers would only evaluate the appropriateness of their PTO/vacation policies once every five or ten years. The landscape has changed significantly as there are numerous factors influencing the need for employers to evaluate and often enhance their PTO/vacation programs, including the following:



- Impact of the COVID-19 pandemic
- Attraction and retention challenges
- Reaction to market trends
- Compliance with paid sick leave legislation
- Alignment with diversity, equity and inclusion strategy

The scope of change ranges from minor to significant with employers evaluating key design elements. Tenure based schedules continue to be far and away the market norm, but employers are rebalancing tenure bands to align with their current workforce. As employees are more apt to switch jobs than ever before, employers are providing more time off at earlier points in a career, often with multiple changes in the policy before an employee hits five years of service. While unlimited PTO policies are still not a prevalent approach, they continue to be evaluated and implemented for select groups of employees within a company, or within specific industries. Additionally, employers are putting a lot of emphasis on their respective approach to how much time employees can carryover from one year to the next.

Changing a PTO/vacation programs can be challenging. These are very personal programs for employees that require a careful communication strategy. Extensive analysis is often required to ensure key financial implications are considered (accrual, balance sheet impact, termination payout impact) in addition to the impact on employees.

The legislative landscape continues to expand as many states and local governments have passed sick pay mandates. These mandates need to be evaluated, particularly for multi-state employers, to be sure their PTO/vacation policies coordinate appropriately with legislation. New strategies are developing to help employers comply with sick leave mandates while employers seek to preserve the benefits of their PTO approaches.



## Paid leave benefits

Paid leave benefits are promoted as differentiators in the war for talent. Parental leave benefits may headline an employer's broad paid leave package, but employers are also rolling out paid caregiver leave, sabbaticals, enhanced bereavement leave, time off for volunteering and even new pet leave to get the attention of key talent.

Parental leave programs are being expanded on almost an annual basis. The tech and financial services industries may headline with programs providing months of parental leave benefits, but offerings ranging from 4-8 weeks are becoming the new norm more broadly. Employers are also focusing beyond parental bonding leave by offering additional benefits in support of working parents. For example, companies are offering options such as phased return-to-work plans and back-up childcare.

As employees are demanding these benefits, states continue to pass new paid family and medical leave laws. There are now 12 programs across the country with Connecticut's new paid family and medical leave law offering benefits as of January 1, 2022 and will soon be followed by programs implemented in the states of Oregon and Colorado. Efforts are also being made to pass a paid family and medical leave law on a federal level.

In addition to the focus on parental leave, numerous surveys reference significant adoption of paid caregiver leave (beyond what is covered by an employer's sick pay policy). When offered alongside a paid parental leave policy, these programs allow employers to provide access to paid leave to nearly the entire workforce. Caregiver leave programs require thoughtful consideration of key design provisions (intermittent/continuous leave, definition of family member, etc.) to reduce administrative burden, ensure the program is fiscally responsible and to assure the program meets the needs of the workforce.

# How Lockton can help

A well-designed paid leave and paid time off policy will aid in retention of your best employees and offers a competitive advantage in recruiting top talent. Additionally, a thorough evaluation of your policies compared to industry benchmarks helps identify gaps and puts focus on areas where you have an advantage.

**ALTHOUGH BENEFITS THEMSELVES ARE IMPORTANT, GETTING EMPLOYEES TO EFFECTIVELY UNDERSTAND AND USE PAID LEAVE IS THE SECRET TO MAXIMIZING RETURN.** Your Integrated Absence Solutions (IAS) team can help you identify your specific workforce needs and help build a paid leave program that meets your business objectives while improving employee satisfaction and well-being. Together, your Lockton consultant and IAS team can assist you in navigating the shifting landscape and in delivering a competitive advantage in your recruitment and retention strategy.

**Lockton is uniquely positioned to assist with all facets of program evaluation, including:**

- ✓ Strategy
- ✓ Design
- ✓ Benchmarking
- ✓ Financial impact analysis
- ✓ Population impact
- ✓ Coordination with current vendor
- ✓ Selection of a new vendor
- ✓ Implementation and ongoing support

Contact your Lockton representative for more information about Integrated Absence Solutions services.



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