

Employee Retention

How Small Companies Can Offer Great Paid-Leave Programs

by Joan Michelson

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Summary. Without a national paid maternity leave policy, U.S. firms must decide whether to provide paid leave. But for small companies and start-ups, the decision isn't so easy. With limited funds, offering the benefit can be a struggle, but increasingly, employees are... [**more**](#)

The United States is the only industrialized country without a national paid maternity leave policy, and one of six OECD countries without paid leave for fathers. That leaves U.S. firms to decide whether to provide paid leave to their employees who need time to care for themselves, new children, or loved ones. Just 21% of the civilian workforce, typically white collar workers at larger firms, have access to employer-provided paid leave.

Yet some recruiters and executives at small firms, especially tech start-ups, say that providing paid leave to employees — or living in a state with a public paid leave program — is increasingly making the difference in recruiting and retaining top talent, especially as the Covid-19 pandemic strains families to the breaking point. “I’ve had people turn me down because of the paid leave,” said Patricia Sias, head of HR at a small STEM firm that does not offer paid family leave. In a previous position, with a large firm, she said the paid leave policy often sealed the deal, especially for women and younger candidates. “Millennials brought [paid leave] up right off the bat,” she said.

Men are increasingly bringing it up, too. Marcia Call, a recruiter with TalentFront who specializes in small businesses, said paid leave was a make-or-break issue in two recent cases, both men. “It was extraordinarily important to these men that they have this benefit,” Call said. Though the firm she was recruiting for didn’t offer paid leave, the firm is located in Washington, DC, one of a handful of states and local jurisdictions that have a public paid leave policy. That closed the deal.

Research has found that paid leave policies can help employers recruit top talent, especially in the highly competitive tech sector. A 2016 Deloitte survey found 77% of employees said that whether a firm offered paid leave — and the length of it — had some bearing on where they chose to work. Half said they’d rather have more paid leave than a pay raise. Jaime Klein, founder and CEO of Inspire HR, calls it “the Google effect”: “Facebook, Google, they’ve started doing these longer paid leaves, and in an effort to track with them, organizations, no matter their size, no matter their industry, the best-

places-to-work type organizations, the ones that have a real focus on talent, have tried to extend their paid leave as well.” One of her female engineer candidates with multiple offers told Klein she specifically chose the company with the most generous paid leave.

Paid leave can increase retention, too, especially for women and diverse talent. When Google expanded its paid parental leave policy from 12 to 18 weeks in 2007, the retention rate of women post-maternity leave increased by 50%, as Susan Wojcicki, CEO of YouTube, a Google subsidiary, explained in a 2016 speech to the Anita Borg Institute’s Grace Hopper Conference.

But many small firms, especially cash-strapped tech start-ups, often don’t have the resources to offer paid leave. The Department of Labor reports that just 15% of companies with 99 or fewer employees have access to employer-provided paid leave, compared to nearly one-third of workers at large companies. “But many small employers view their employees as family,” says Katie Vlietstra Wonnemberg, a principal with public policy firm Public Private Strategies. “They want to take care of their people.”

That’s a big reason why a coalition of small businesses in the United States, led by organizations like the Small Business Majority and Main Street Alliance, have been calling for a national public paid leave policy to help them compete for talent with bigger firms. SBM’s polling found that 70% of small businesses support a national policy. Another survey in October of 600 small business owners found widespread bipartisan support for a national public policy. “Paid leave would allow small businesses to compete with larger companies that have the resources to provide such a benefit while taking care of their employees,” John Arensmeyer, SBM founder and CEO, wrote to the Department of Labor in September.

But until such a policy is in place, what can tech firms and small businesses do to address their disadvantage in paid leave, so they can attract and retain top tech talent? Here are six suggestions from long-

time human resources professionals and small business leaders who have been navigating this minefield:

Do a cost-benefit analysis. Providing a paid leave benefit can be expensive, but so can *not* providing it. Failed recruiting efforts are expensive. For example, Resumelab.com reports that 43% of new hires quit due to unmet expectations generally, costing 30% of recruiting time and resources. Offering generous paid leave could help them think twice about leaving before they do. Plus, the repercussions of losing top talent “ripples through your organization,” Sias explained. It’s important to count the boost to productivity, engagement, morale, and firm reputation that can come with a paid leave policy, too.

Talk to your employees. “I think executives really need to listen to the feedback they receive from their staff,” Sias insisted, “you really truly have to have a plan of action on how you’re going to address what those [pain] points are. And if it’s ... leave and benefits, do them. It’s the low-hanging fruit, and it goes such a distance. Staff feel heard. Staff feel appreciated. Staff feel acknowledged...and if you’ve missed it, you’ve lost their trust.” If you just listen but don’t act on their feedback or explain why you can’t, they won’t believe you care, and they won’t trust you.

Include men. Paid leave policies shouldn’t be reserved just for women. Todd Olson, founder and CEO of Pendo, a software services firm in Raleigh-Durham, North Carolina, pointed out that making their paid parental leave available to *all* parents has been key to maintaining a diverse talent pool: “Supporting men also helps women get back to work, if that’s what they choose to do.”

Plan handoffs in advance. The work goes on, even while employees are on leave. Plan ahead and get buy-in from those who will be covering projects and tasks. The new team might need to be trained or brought up to speed, too. Dan Najjum, CFO at edtech firm Signal Vine in Alexandria, Virginia, said it’s not hard, but is important: “With enough time and planning, you can figure out how this can be

done....You want your coworkers to care about each other.” If you don’t plan ahead, you risk resentment that can backfire, or the work may be done improperly, which could have seriously deleterious effects on your business.

Be consistent and communicate openly. Don’t just sweeten paid leave benefits for new recruits, Sias advised. Make sure the same benefit is available to new talent *and* current employees. “As employers, it’s not just what you do to get people in the door, it’s the lifecycle of the employee, and...people talk.” If you communicate about these and other policy issues openly as they evolve and demonstrate you are being responsive to your team’s feedback and needs, you’ll build a culture of trust.

Be a voice in the public policy debate. Small businesses employ 49.2% of the U.S. workforce and 43% of high-tech talent. As more states craft statewide paid leave policies and momentum builds for a national paid leave policy, small businesses must become educated and involved in crafting these policies to ensure their needs are addressed. Vlietstra Wonnenberg said, “They have to find a way to insert themselves in the conversation — by they themselves being an advocate, or joining a business organization that aligns with their view.”

It’s important to remember your organization’s leave policy affects your reputation. Human resources executive Diane Irving, who has spent more than 25 years in STEM fields, put it plainly: “Is this a generous organization or is this not a generous organization? You get a reputation...There’s a competition for talent and it may tip the scale.”

As the pandemic rages on, it’s becoming increasingly clear that if small businesses and tech firms want to recruit and retain the best talent possible, they need a competitive paid leave policy. As Nicholas Christakis of Yale University states, “The dynamics of a contagious disease made it abundantly clear...[that] paid sick leave...[and] such

policies are likely to endure after the virus subsides, either because companies see the wisdom of it, lawmakers enforce it, or workers demand it.”

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