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A Woman's Place

Survey results:

FTSE 350 companies' parental leave policies

April 2022

abrdn.com

A Woman's Place series

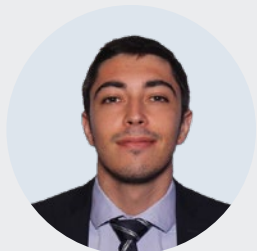
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'A Woman's Place', is a research series from the abrdn Research Institute. Focusing on the often overlooked 'S' of ESG (Environmental, Social and Governance), the authors set out to find what drives differences in female participation in the workforce and highlight why D&I policy really matters for investors.

There is a clear ethical argument for greater equality in the workforce. But there's a powerful efficiency argument too. Increasing diversity and inclusivity in the workforce can lift incomes and growth by making better use of human capital. In a world where populations are aging and labour productivity growth sluggish, a stronger diversity and inclusion (D&I) corporate and government policy agenda could provide a much needed shot in the arm for the global economy

Key Takeaways

One of the key takeaways of our 'A Woman's Place' research was that while parental leave policies – specifically paternity leave – have a positive impact on female labour force participation, we have very little data on these policies at the company level. This data could provide key insights as to the long term talent pipeline within investible companies. So we reached out to FTSE 350 firms directly with a survey to gather data on maternity, paternity and parental leave generosity, limitations and impacts on business.

- While companies across sectors provide around 16–26 weeks of paid maternity leave, paid paternity leave is anchored around two weeks (the minimum statutory entitlement) except for a few strong outperformers in insurance & asset management – abrhn, Aviva, M&G and Phoenix – and one industrial firm – Halma.
- The role that the UK's two week statutory paternity leave policy is playing in company parental leave policies is glaring. When we asked companies what drives their parental leave policies, many companies cited talent retention but also emphasised the pull of these statutory requirements along with industry standards, which appear to be creating a doom loop of weak paternity leave allowances across most sectors.
- Companies highlighted the benefits they felt from parental leave policies are particularly around employee retention and satisfaction as well as the general reputation of the firm. On the flip side, the costs of covering for those employees on leave was seen as the most noticeable negative impact.
- Parental leave has become more generous in over 75% of companies in our survey over the past five years but when asked about the barriers to offering more generous leave policies, existing generosity was listed as a key reason. This is a cause for concern; while maternity leave policies may be considered relatively generous across most companies, a mindset shift is needed to recognise that two weeks paternity leave reinforces inequalities and is well below the seven weeks our empirical modelling highlighted as the optimal starting point.
- By combining the results of our survey and Bloomberg's Gender Equality Index, we found tentative evidence that companies with more generous leave policies for men and women tend to have a higher proportion of women in their workforce. By running this survey again in future, we will be able to test this relationship more robustly.

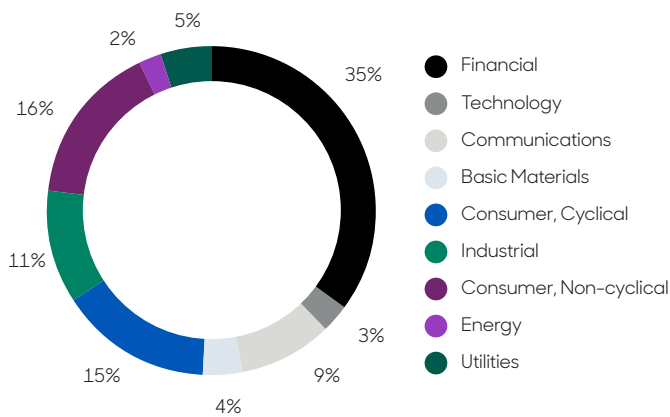


Companies we surveyed

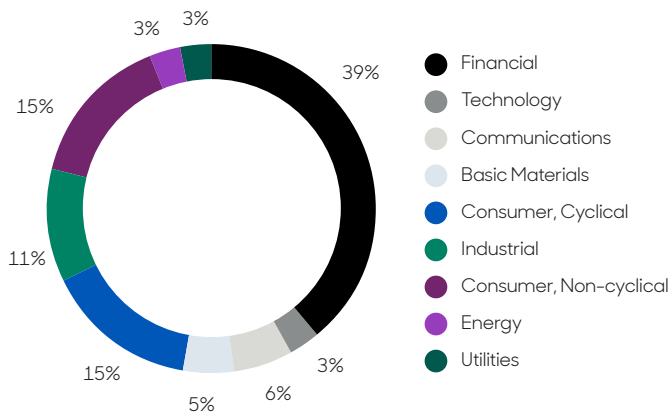
We contacted 196 companies from the FTSE 350 universe and had 99 responses. The overall sample is broadly representative of the sector split for the overall FTSE350. We intend to run this survey again in future, which will enable us to track changes over time and do more empirical modelling of policy choices and corporate outcomes.

Figure 1: Sample is broadly representative of the FTSE 350

Sector Split of respondents



Sector split of FTSE350



Source: Bloomberg, abrdn as of January 2022.

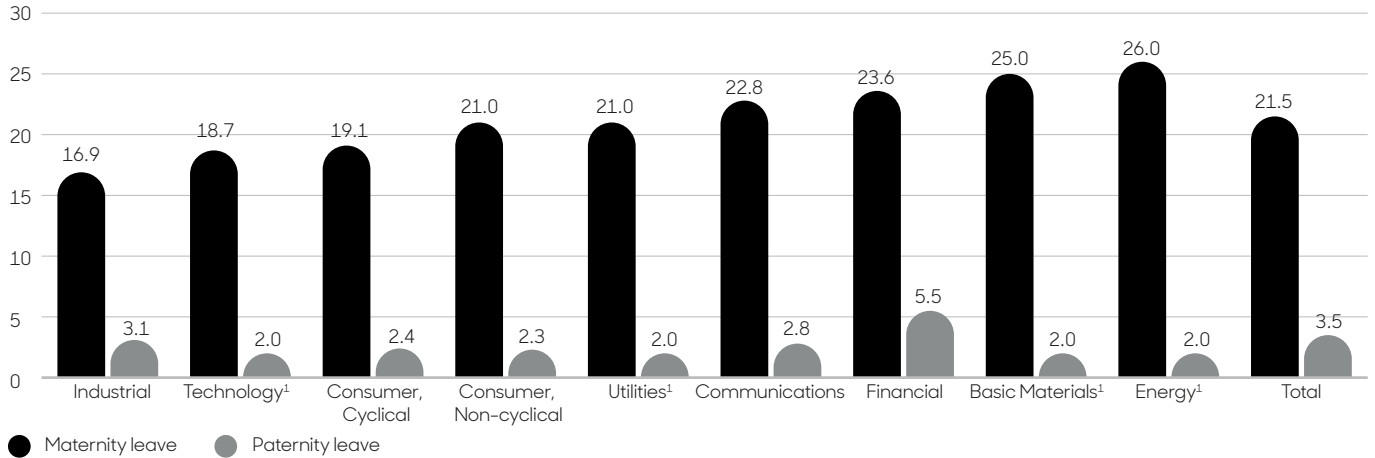
W We contacted 196 companies from the FTSE 350 universe and had 99 responses. The overall sample is broadly representative of the sector split for the overall FTSE350. **W**



The numbers

Figure 2: Maternity leave is unsurprisingly more generous than paternity leave

Average weeks of paid parental leave by sector



Source: abrdn as of January 2022.

¹ Indicates sectors with fewer than five.

Maternity leave is unsurprisingly much more generous than paternity leave among the companies we surveyed. Almost all sectors provide at least 20 weeks of paid maternity leave at a rate above the Statutory Maternity Pay (SMP), with only industrials, technology and consumer cyclicals offering less – and even then, the average is above 16 weeks for these sectors.

This contrasts sharply with paternity leave, where most sectors offer two weeks paid leave in line with the minimum statutory allowance in the UK.

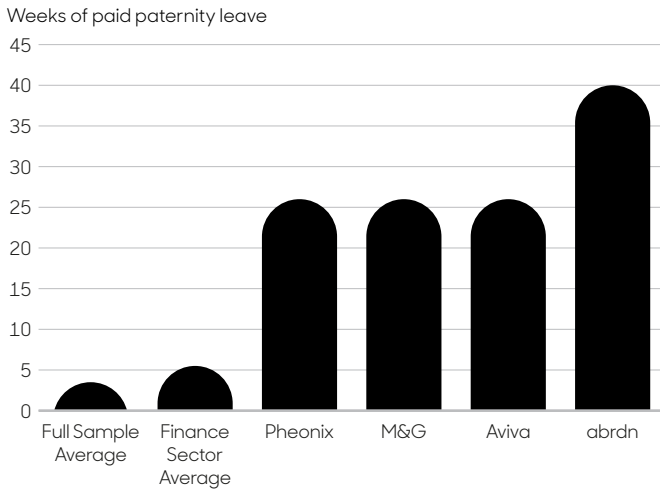
II While companies across sectors provide around 16–26 weeks of paid maternity leave, paid paternity leave is anchored around two weeks (the minimum statutory entitlement) except for a few strong outperformers in insurance & asset management. **II**



The financial sector stands apart as offering more generous paternity leave than any other sector, driven by a small number of companies offering particularly generous paternity leave policies. These include abrdrn's 40 weeks of paternity leave at full pay, followed by M&G and Phoenix, which offer 26 weeks at full pay.

When we exclude these outliers, average paternity leave allowances drop to the same levels as other sectors – highlighting how low the bar is for paternity leave offerings.

Figure 3a: Outliers in the financial sector

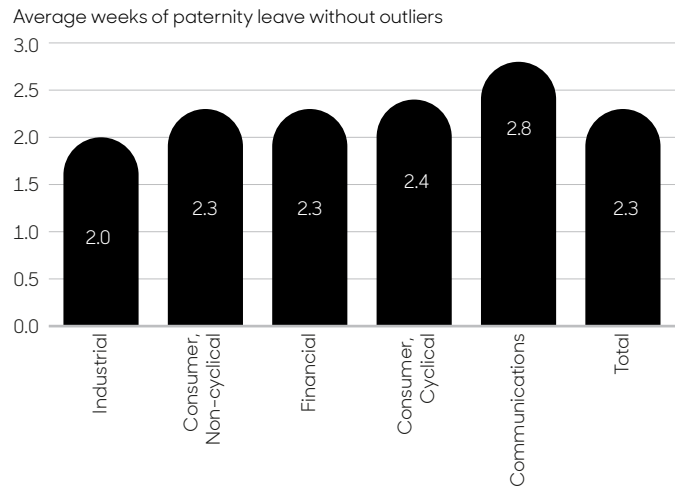


Source: abrdrn as of January 2022.

It is worth highlighting the complexity of assessing leave policies, even across this small sample of firms, these policies often come with different eligibility criteria and even clawback periods should employees not return to work for the firm for a set period afterwards.

A number of firms in the survey also signalled that the generosity of leave policies both in terms of the length of leave allowed and the extent pay given was dependent on tenure with the company.

Figure 3b: Removing outliers highlights low bar for paternity leave



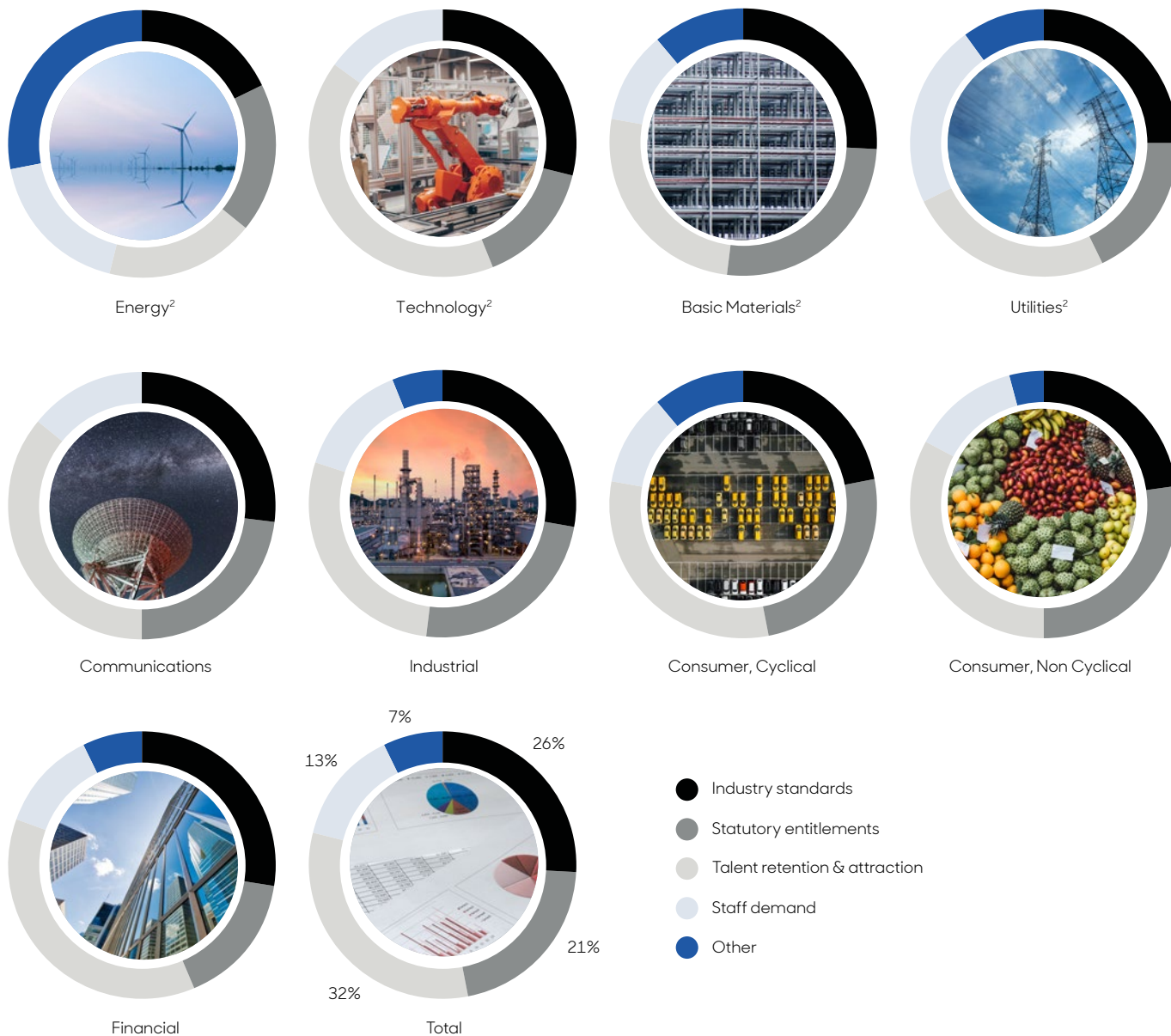
Source: abrdrn as of January 2022.



What drives parental leave generosity?

Figure 4: Talent retention and attraction key driver of leave policies

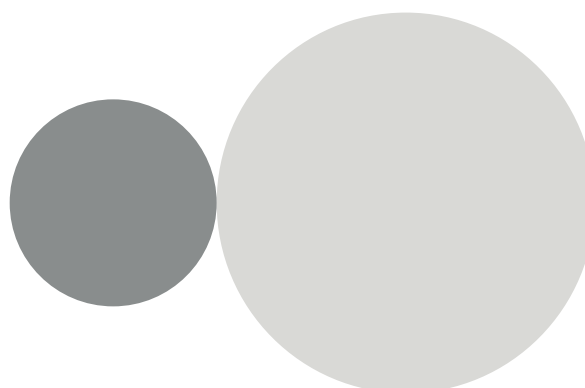
Share of companies reporting driver, % of total weeks of paid paternity leave

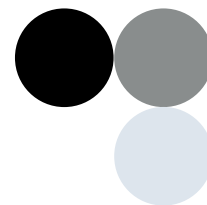


Source: abrdn as of January 2022.

² Sectors with a small sample size.

When we asked companies what drives their parental leave policies, many companies cited talent retention but also emphasised the pull of these statutory requirements along with industry standards, which appear to be creating a doom loop of weak paternity leave allowances across most sectors. **II**





We asked companies what drove their parental leave policies. Talent attraction and retention are a major driving factor for all sectors. This recognition that policies matter to build and maintain a diverse talent pipeline is encouraging but is not coming across in most companies policies.

Industry standards are also a major driver of these policies. This creates the potential for a virtuous cycle where firms competing in the same sector and talent pool ratchet up policy generosity – as we see in the proliferation of more generous paternity leave in a sub-group of financial sector firms.

However, there is also a clear risk of industry standards creating a doom loop where particularly paternity leave policies are anchored rather than boosted by the industry norm.

The survey also highlighted the key role that statutory regulations play in setting a floor for parental leave policy.

In the case of maternity leave, this ensures that women have 39 weeks minimum with many companies choosing to top up the statutory pay to full time for at least part of that.

However, for paternity leave, the statutory minimum is only two weeks of leave. Over 75% of companies we surveyed only offer two weeks of paternity leave, with most companies highlighting statutory regulations as a key driver.

The exception to this trend is companies in the financial sector, where statutory drivers are significantly less important on average than talent retention and industry norms – potential evidence of the virtuous cycle we mentioned earlier.

Some companies mentioned other drivers for their policies including the need to increase diversity, inclusion, equality, and wellbeing as drivers of their parental leave policies.

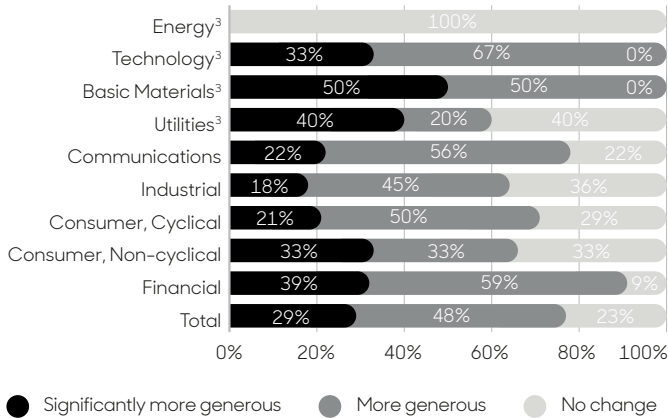


How has this changed?

We hope to run this survey again in future to track how policy evolves. For this first survey, we asked companies how policy had shifted over the past five years.

Almost a quarter of firms' policies have not changed in recent years; almost half are more generous; and a little under a third are significantly more generous. For those companies whose leave has become more generous, leave length – particularly maternity leave – is on average higher.

Figure 5: Policies generally more generous across sectors



Source: abrdn as of January 2022.
³ Sectors with a small sample size.

Interestingly, companies where leave policies have become significantly more generous, were more likely to list talent attraction and retention than statutory entitlements as a driver of their leave policies.

It is striking that over 90% of the companies we surveyed in the financial sector have expanded their parental leave policies in recent years and this shows in the outperformance of this sector in absolute parental leave policies (dominated by four major outperformers discussed earlier).

When asked about the barriers to offering more generous leave policies, existing generosity was listed as a key reason. This is cause for concern; while maternity leave policies may be considered relatively generous across most companies, paternity leave remains very low at around two weeks for most companies.

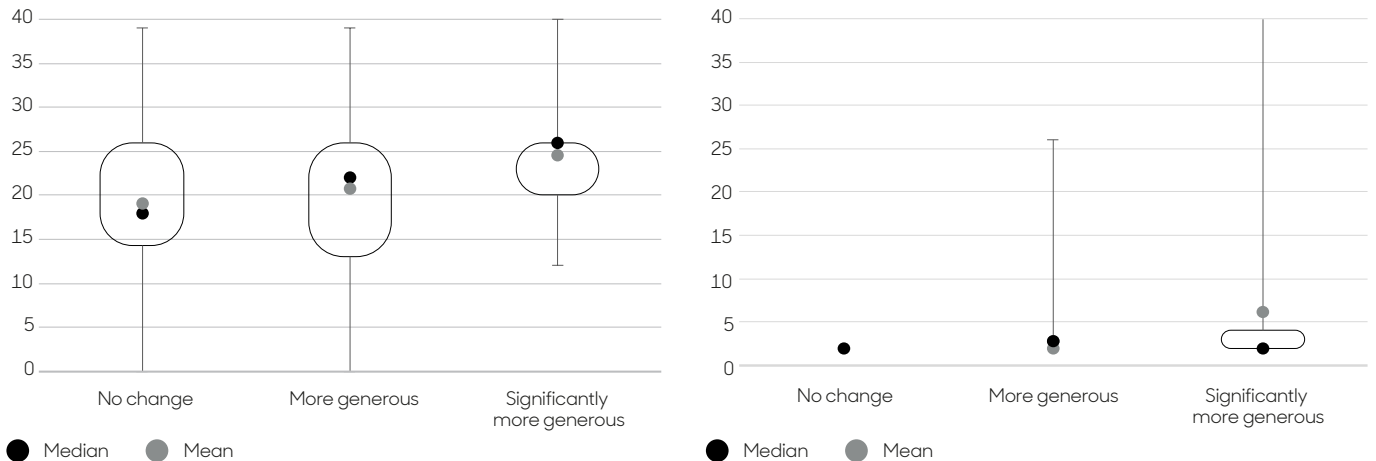
A mindset shift is needed to recognise that two weeks is not generous and falls well below the seven weeks our modelling identified as the ideal minimum allowance for dads to boost female participation in the workforce.

Cost constraints and industry norms were also highlighted as constraints on further expansion of allocations. The latter reflects that doom loop risk we highlighted whereby industry norms act to limit rather than proliferate paternity leave allowance.

|| Almost a quarter of firms' policies have not changed in recent years; almost half are more generous; and a little under a third are significantly more generous. **||**

|| For those companies whose leave has become more generous, leave length – particularly maternity leave – is on average higher. **||**

Figure 6: Companies reporting progress in their parental leave policies offer higher parental leave

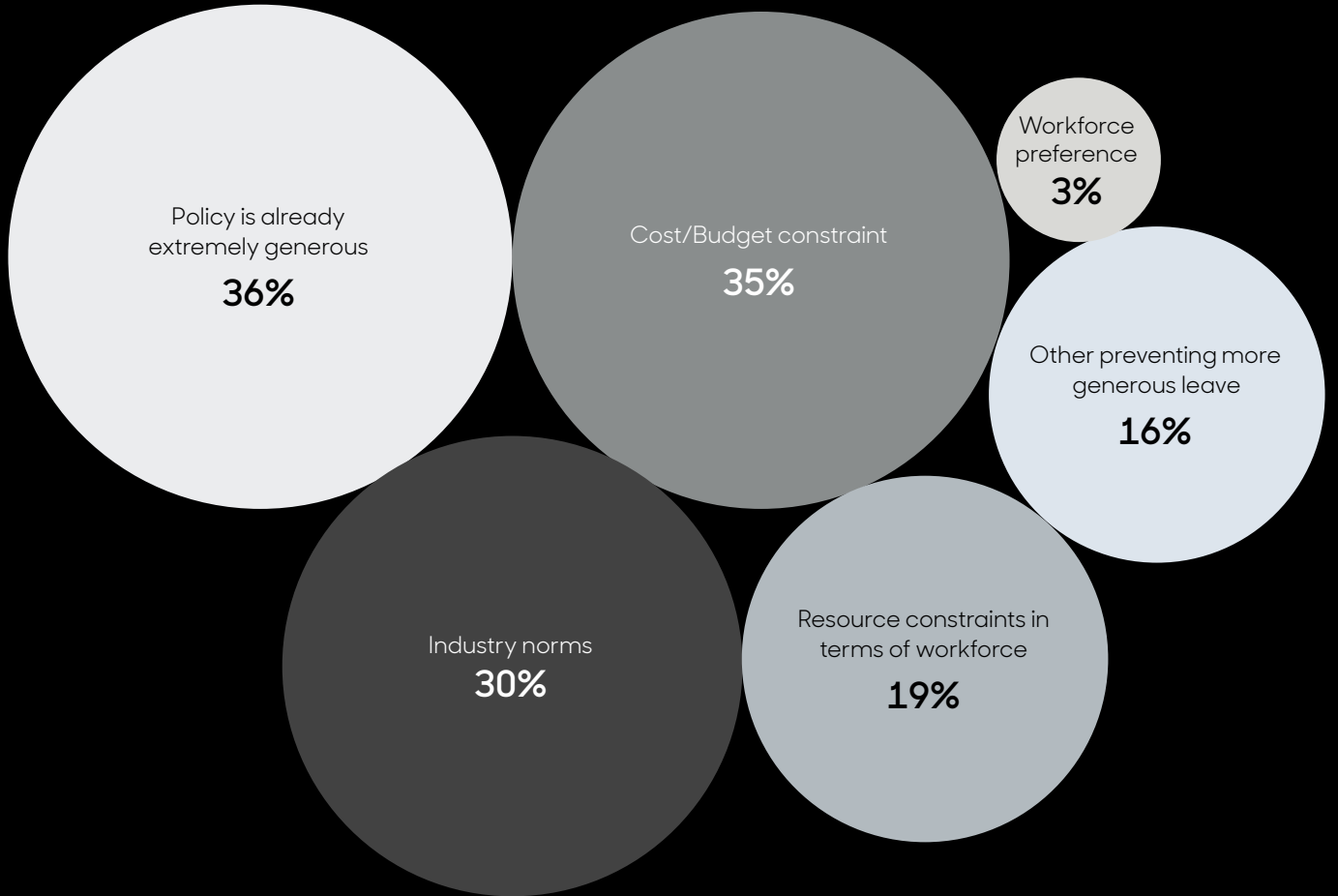


Source: abrdn as of January 2022.



Figure 7: Generosity of existing policies and cost constraints are barriers to more generous leave policies

Share of firms reporting constraint to increasing leave allocations, % of total



Source: abrdn as of January 2022.

II When asked about the barriers to offering more generous leave policies, existing generosity was listed as a key reason despite paternity being very low at around two weeks for most companies leave. **II**



The impact of parental leave policies

So, if companies are highlighting the generosity and cost of leave policies as barriers to increasing generosity, then what impact do these policies have on daily operations?

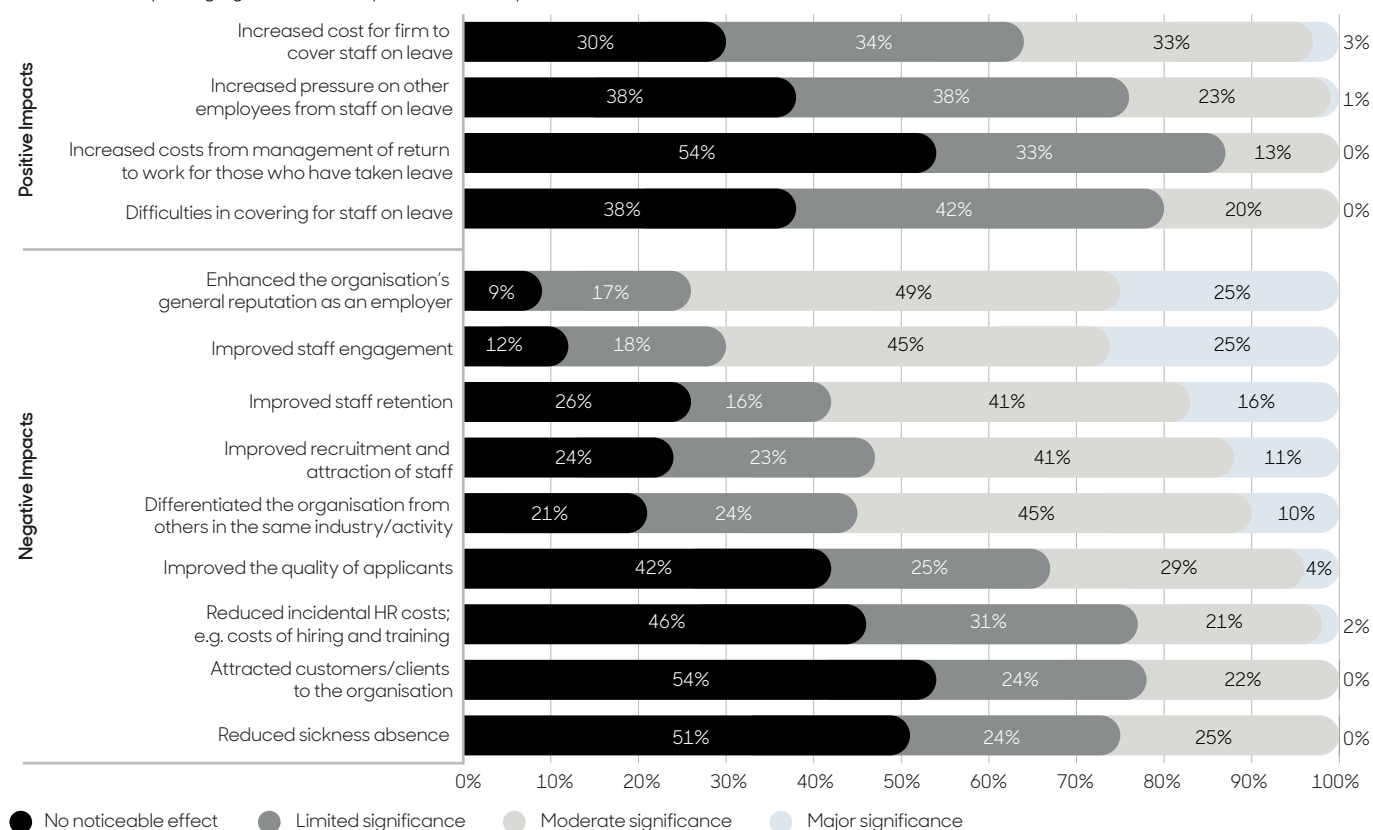
Companies highlighted the benefits they felt in terms of employee retention and satisfaction as well as the general reputation of the firm. This tallies with earlier evidence that these same factors also play a part in the determination of companies leave policies.

On the flip side, the costs of covering for those employees on leave was seen as the most noticeable negative impact – with 36% reporting a moderate to major significance.

Encouragingly, the cost of managing the return of employees was seen to have the least significant impact. Many companies in the survey referenced existing or plans to implement return to work programs for leave takers whether this be in the form of coaching support from previous returners, phased returns and keeping in touch days.

Figure 8: Companies find cost the largest negative impact and increase reputation the most significant positive effect of leave policies

Share of firms reporting significance of impact from leave policies, % of total



Source: abrdn as of January 2022.

II Companies were more likely to list positive than negative impacts of leave policies – but employee retention and satisfaction were the key positives and cost to cover for those on leave was the most noticeable negative impact. **II**

Representation and leave policies



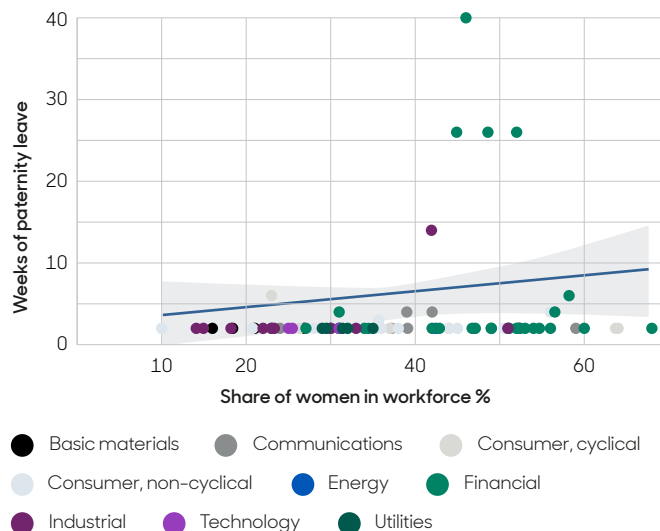
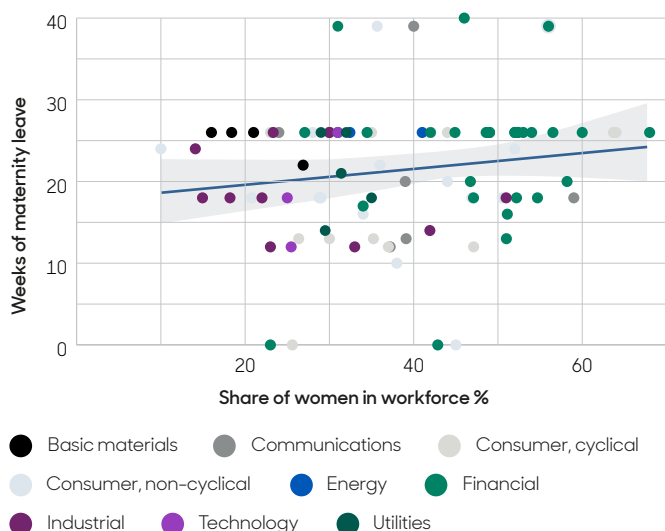
By combining the results of our survey and Bloomberg's ESG metrics, we find tentative evidence that companies with more generous leave policies for men and women tend to have a higher proportion of women in their workforce.

We cannot confirm which direction the causality in this relationship might run, though our macroeconomic modelling did suggest that better policies boost female participation in the broader economy.

The colouring in the charts indicates the sector that each firm belongs to and we can see that there is some bunching of the data by sector so this could play a role in the identification of this relationship.

These charts also clearly show the bunching effect around the statutory levels of leave in the UK, the lack of paternity leave relative to maternity and the outliers that we have identified in the earlier section.

Figure 9: tentative evidence that representation affects leave policies



Source: Bloomberg Gender Equality Index, abrhdn as of January 2022.

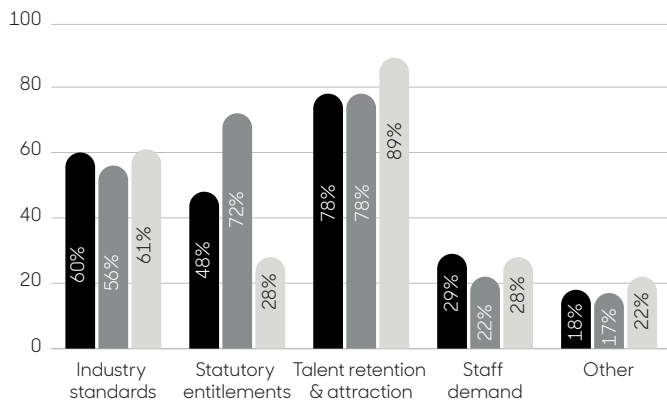
There is also evidence that the share of women in the workforce is related to the broader corporate approach to parental leave.

For example, those companies with a greater share of women in their workforce are more likely to list talent retention and attraction as a driver of leave policies, with those with lower representation more likely to lean on statutory requirements.

We find tentative evidence that companies with more generous leave policies for men and women tend to have a higher proportion of women in their workforce.



Figure 10: Those firms with a higher % of women in the workforce more likely to list talent retention & attraction as driver of leave policies than statutory requirements



Percentage of firms in first and fifth quartile of women in the workforce reporting driver of leave policies:

● Total ● Q1 ● Q5

Source: Bloomberg Gender Equality Index, abrdrn as of January 2022.

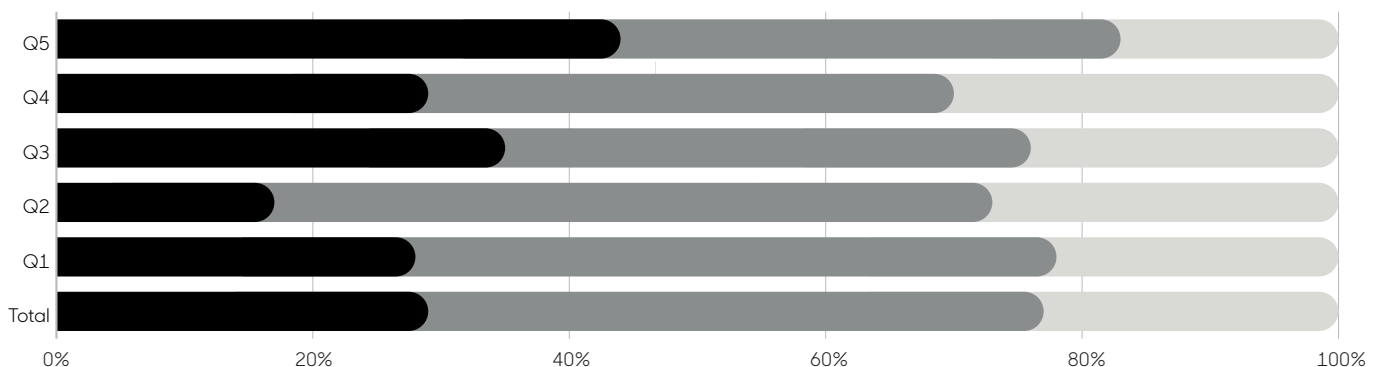
In addition to this those firms with more female workers suggested that their leave policies had become more generous on average than those with less.



Companies with a greater share of women in their workforce are more likely to list talent retention and attraction as a driver of leave policies, with those with lower representation more likely to lean on statutory requirements. ||

Figure 11: Moves towards more generous leave policies where female representation is higher

Quantile of % Women in the workforce



Share of firms reporting change in policies over last 5 years broken down by quantiles of % women in the workforce:

● Significantly more generous ● More generous ● No change

Source: Bloomberg Gender Equality Index, abrdrn as of January 2022.



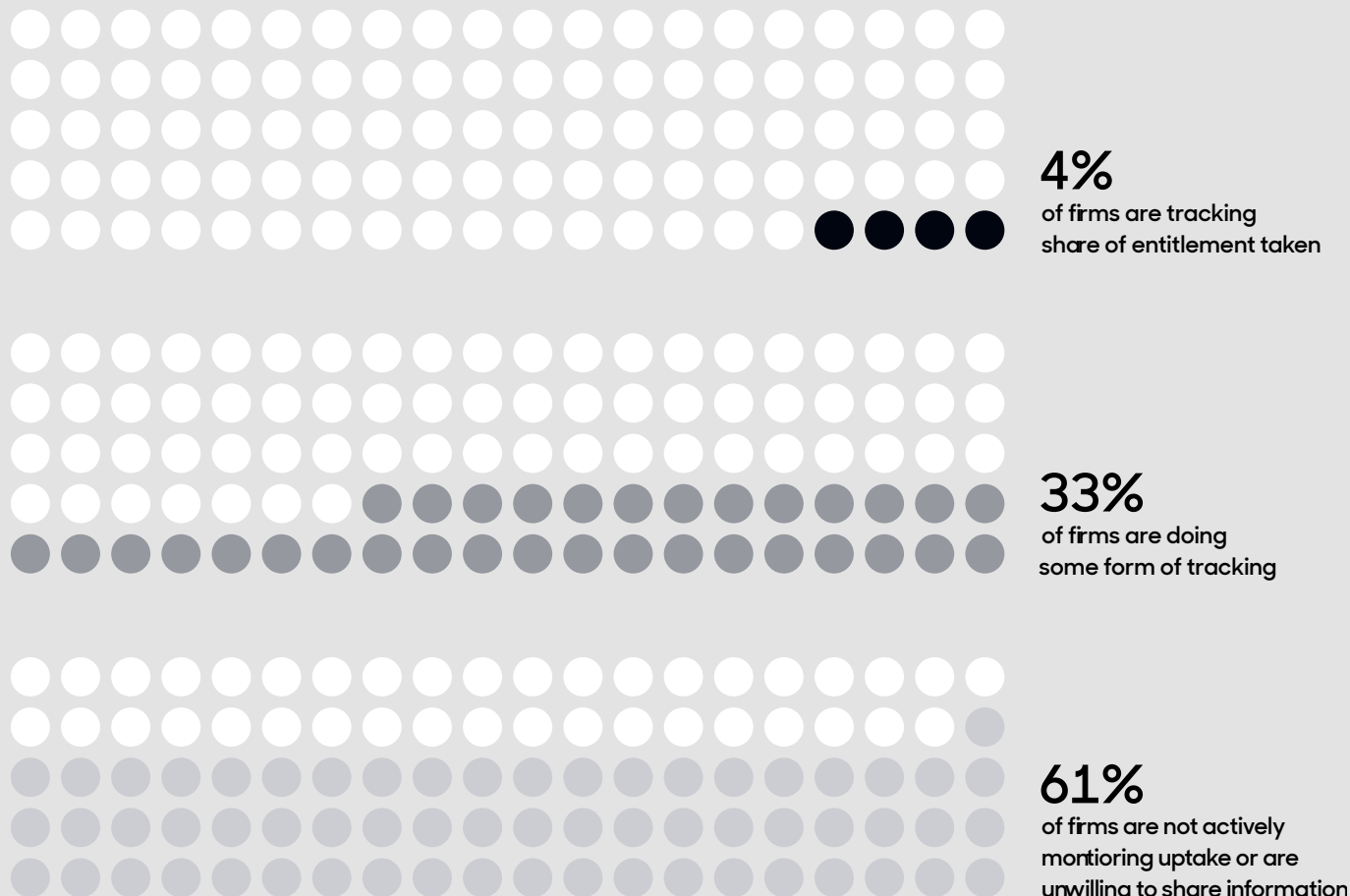
Those firms with more female workers suggested that their leave policies had become more generous on average than those with less. ||

Tracking and incentivising uptake



Another area of interest to us was the uptake of leave and how this is incentivised by employers. The data on uptake were somewhat underwhelming, with some companies refusing to disclose this information, and just under 40% of firms actively tracking this.

Figure 12: Majority of firms either aren't tracking uptake or were unwilling to share this information



Source: abrdn as of January 2022.

The data on uptake were somewhat underwhelming, with some companies refusing to disclose this information, and just under 40% of firms actively tracking this.

Of those that do, and disclosed the information, some only collect the number of people taking leave rather than the share of entitled leave taken and only four companies noted a 100% uptake where the information was reported.

As we have cited throughout the A Woman's Place series, these data gaps make it very difficult to fully understand the impact of these policies.

Despite these shortcomings on uptake, the survey did shed some light on how firms are attempting to incentivise the uptake of leave.

The majority of companies attempting to incentivise parental leave highlighted the use of their internal intranet alongside support from HR, colleague forums and informational leaflets for expectant parents. Alongside this, firms noted policies such as flexible working, buddy systems and extra HR support for parents to aid the transition back to work.

Finally, it was striking that several firms are currently reviewing their policies, suggesting that policies and incentivisation is likely to change in the coming years – hopefully for the better. We noticed that childcare assistance wasn't cited by any companies in their incentivisation processes and strongly recommend this be considered on the basis of our latest research.

Implications of our findings



We outlined the macroeconomic arguments for greater female participation in the workforce and the role that leave policies can play at the outset of A Woman's Place. But why does this matter for companies?

The logic of maximising human capital regardless of gender, ensuring access to high quality labour supply against the backdrop of an aging population applies at the company level too. Furthermore, this survey suggests that these policies can have positive impacts for firms in terms of reputational benefits, staff engagement and retention.

It also has a key message for policymakers: the role that statutory requirements is playing in company parental leave policies is glaring. While progress has been made in expanding maternity leave allowances over recent decades, the UK lags behind in its paternity leave offering with just two weeks relative to the OECD average of nine weeks.

The positive impact that paternity leave can have on female participation in the workforce suggests that setting the bar higher at the macro level could go some way in equalling the playing field for men and women and shifting incentives at the company level.



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