



Episode 16 – Paid time off and paid leave during the crisis, COVID-19 edition

ALEX HENRY: COVID touches basically everything, right, from retirement to health care to disability to leave. And a lot of employers, at least in the disability and leave space, are very focused on what do we do right now.

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STEVE BLUMENFIELD: Hi, everyone, and welcome to The Cure for the Common Co, COVID edition. We've put together a series of quick burst sessions for our clients on topical issues of importance. We'll speak with our experts and our clients, and also hear clips from some of the startups who've been on the pod.

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My name is Steve Blumenfield from Willis Towers Watson Health and Benefits. And I'm joined today by Julie Stone, our head of intellectual capital. Welcome, Julie.

JULIE STONE: Hi, Steve. Really excited to go into depth on today's topic.

STEVE BLUMENFIELD: As am I. We're also joined by Alex Henry and Rob McGee, two of our disability and leave thought leaders. Welcome, Alex and Rob.

ALEX HENRY: Thanks, Steve.

ROB MCGEE: Thanks, Steve. Really looking forward to the conversation this afternoon.

STEVE BLUMENFIELD: All right. This is an amazingly complex time that we're in right now, and this topic is so complicated, because what does PTO and leave look like for this world in which our days blend together? And how do you take PTO when you can't go anywhere? These are some of the questions that our employers are facing, and more. So could you just give us your thoughts on the most pressing issues employers are facing regarding leave and PTO-related issues these days?

ALEX HENRY: Sure, Steve. This is Alex. And what I would say is you hit the nail on the head, we're in the time of COVID-cation, right? So we understand that people need to rest and recharge and take time off. And it's really a difficult situation. I mean, it's not really a vacation when you can't go anywhere or take any time off, but intrinsically, I think we all understand the value in doing so. And I think it's something that a lot of employees are struggling with.

But on that front, I think we're seeing a number of things play in. We're seeing, number one, with working from home, some underreporting of time off. I think, with uncertainty about the future, we're seeing folks hold on to PTO as maybe a de facto severance, if you will, that financial safety net in case something does happen to their job. We're also seeing, I'd say, some probably hoarding of time off. Not in a negative sense,

but when you think about the future landscape and what this is going to look like, we might need to care for ourself, we might need to care for others.

I personally have homeschooling responsibilities with my three and six-year-old, so I think some folks are holding onto the PTO for that rainy day. And then kind of on the other end of the spectrum are essential workers, those folks in high-demand professions that don't really have the ability to take time because of their civic duty to help everyone else. So just a lot going on with the PTO landscape.

JULIE STONE: Alex, one of the questions on my mind, and I think on many employers' minds, is whether or not there are some tactics or things they should be thinking about to address the topics you just mentioned around potential underreporting or the concern about needing time later in the year, which is real and material, I don't mean to invalidate that, but how, as an employer, do I navigate this much trickier conversation around time off than existed in any prior year?

ALEX HENRY: Great question, Julie. And a lot of it is going to be individual communications between managers and employees, staying connected, staying flexible, encouraging the use of time off. Again, even though it's hard, just making sure that your employees are disconnecting where possible to take care of those important things. Again, with a lot of us being caretakers of the elderly at home or even having young children, I would say it's important for supervisors to connect with employees to reinforce the importance of taking time off, but also looking organizationally at time off and how these type of programs need to change. I think a lot of employers are taking a step back and saying, what do we need to do now so that we address some of these concerns? And those are things like--

STEVE BLUMENFIELD: Yeah, what are the kinds of things that need to get done now?

ALEX HENRY: --yeah, that's things like increasing the accrual maximums and carryover maximums in certain industries. And we're seeing about a third of employers looking to increase those accrual or carryover maximums so that employees who can't use the time are not penalized for not being able to use that time that they've accrued, or hitting caps that they wouldn't otherwise have hit had they been able to take vacation.

Interestingly enough, though, we are seeing, kind of on the other end of the spectrum, about 10% of employers are decreasing accrual and carryover maximums. Again, employers are looking to mitigate cost, and reducing those accrual and carryover maximums is one way to do so. So we are seeing kind of both ends of the spectrum, some employers being more generous with the time off that's allowed, while on the other end decreasing it for cost savings purposes.

STEVE BLUMENFIELD: Any insights as to the types of employers and how to make that decision as to which end of the spectrum you might be on?

ROB MCGEE: This is Rob. I'd chime in, too, that the decision can really be driven by policy and structure. So Alex hit on the two different components, one being a maximum accrual cap and the other being a carryover limitation. When we're talking about a maximum accrual cap, it can be critically important to look at those balances now, particularly to ensure that employees aren't being negatively impacted by hitting the cap and not continuing to accrue PTO.

But from a carryover perspective, that same situation may not exist, in which an employee stops accruing their PTO or vacation benefits. So the decision around whether they extend the carryover limit can potentially be delayed for another several months in order to, in fact, determine whether or not employees are going to use less vacation or paid time off through our traditional summer vacation season.

And from an industry perspective, there is a lot of variation. And I'll certainly let Alex chime in to some of the unique nuances we see on the west coast. But a lot of our health care, hospital systems, et cetera, they do tend to have those maximum accrual caps in place. And then obviously, there, there are frontline workers through this where they don't necessarily have that ability to be taking PTO or vacation.

So it is really important for employers in those environments to be evaluating those provisions now, whereas when we start, Tom, talking about general industry and away from the west coast, the more common approach is to include a limited carryover provision within a vacation or PTO program, or even a use it or lose it PTO program. And in those circumstances, like I said before, delaying the decision to extend the carryover can benefit an employer from a financial standpoint.

ALEX HENRY: Yeah, and I would agree with that, Rob. I'd say the most prevalence we're seeing is those frontline workers, those critical workers, where it's important to ensure that there's sufficient time off in case they are ill to disincentivize them to come into work, but also those that are healthy and are working, that they're not penalized and losing out on time that they would have otherwise accrued because they're coming in and working those hours.

ROB MCGEE: So it's obviously really easy to say that, that an employer would have done something differently with respect to their immediate reaction as it relates to implementing a new paid leave program. All employers that did make changes, they did make these changes with the best interests of their employees in mind. And on a go-forward basis, we do see it as a possibility that employers will create some programs as it relates to special leave circumstances, reflecting on decisions they made in light of COVID-19.

STEVE BLUMENFIELD: So are we seeing any difference in the way the companies are, in aggregate, handling things now in light of the crisis-- and perhaps it's too soon to tell, but versus prior years? Has there been a tendency in one direction previously, and we're seeing some of that reverse? And what kinds of difficulties, if so, is that bringing?

ALEX HENRY: I would say, at least from what I've seen with employers, a lot of it's going to depend not solely, but a lot on the company's financial position, right? So when we look at some industries, like retail, which have just been hit incredibly hard, especially those with limited online presence, those are going to be the ones that can't really afford to give people more sick time, to provide additional maximums, because all of that is going to come at a cost to the company.

So initially, we saw pretty much all employers across the board provide some type of paid leave or flexibility around time off. I think as this pandemic continues, and we're socially isolating and not able to come to work as we traditionally have, I think we're going to start to see a divide, where we have some employers continue to provide generous paid time off even when folks can't come in, while other employers aggressively look to start layoffs and furloughs to maintain financially viable.

ROB MCGEE: Just to add on, we do a lot of support from a client perspective in helping our clients evaluate their vacation, paid time off, sick leave programs, et cetera. And I would say, in the past three or four years, there's really not a situation in which I've worked with an employer on expanding their maximum accrual limit or creating a more generous carryover provision. So certainly we're in unique circumstances in light of COVID-19, where, like Alex said, in certain industries, we are seeing employers look at expanding those provisions, when the goal of a lot of finance teams within our clients was to reduce balance sheet liability and limit termination payouts to the extent possible, whereas enhancing these provisions is going to do the opposite.

JULIE STONE: I'm wondering if, in the client conversations you are both having, you can share any "AHA" moments on the part of an employer, where in the dialogue about how do I handle leave and PTO and all of these challenges right now as they are navigating current state through the pandemic, what was really surprising to them?

ROB MCGEE: So I would say how quickly some of our clients reacted and created additional enhanced paid sick leave programs or granted additional paid time off. And the pace of change potentially led to some unintended consequences. So we've seen anything from expanded sick leave, in certain circumstances, to the granting of an additional few weeks of vacation or PTO, et cetera. And I worked with a number of financial services employers that simply said we're going to provide unlimited sick leave through May 1st or June 1st, et cetera.

And what they found was how employees were actually using that time varied significantly. So where the intent was maybe to provide coverage for really specific situations in terms of people contracting the virus, et cetera, some employees were using that for the unique circumstances that they were in due to the lack of child care. So I think if we were to kind of reset the clock and start this over, some employers would certainly look at potentially changing the structure of the approach of that additional time they granted.

STEVE BLUMENFIELD: Hm. On the end, probably net-net a good thing to be flexible and let people use that as they need in a time of crisis, but it's always better in the rearview mirror to plan than it is looking down something that's brand-new like this.

ALEX HENRY: And I would just add, and I agree Rob, and probably the one thing that's not surprising, but a pretty common theme across a lot of the conversations I've had with employers is this is a glacial movement. I mean, COVID touches basically everything, right, from retirement to health care to disability to leave. And a lot of employers, at least in the disability and leave space, are very focused on what do we do right now, what is this going to cost right now, which is the right questions to be asking.

But one thing we often don't hear a lot of and we're bringing to clients' attention is not just the immediate or the next 30, 60, 90 days, but what does this mean when this all shakes out? I mean, we've got a number of folks sheltering in place, which for many, and I'll admit myself included, is synonymous with deconditioning, right? So when we all go back to our regular work routines, although it's going to be a new regular, new normal, what does that mean for the prevalence of work-related injuries and other physical injuries? What is that going to look like?

The one question is, how many times is the new normal going to change? And we've done things very similarly for the last 10 years, obviously with certain enhancements here and there, certain productivity enhancements. But when we go back to work, it's going to look a lot different. And how are people going to cope with that from a mental health perspective? So that's another big factor, not to mention caregiving responsibilities that probably aren't going away.

And most importantly, when we think about the 30 million that are unemployed, there's a lot to think through around what does that mean financially, and the tremendous mental health stress that's going to cause as people try and figure out what their finances look like now and in the near future. So lots of considerations to think through. And I think we're very focused on the immediate impact of COVID, but as we look to reacclimate folks to the workforce, and even before they start coming back, we need to get ahead of some of these items, or we're going to see some pretty significant bad things happen.

STEVE BLUMENFIELD: Hm. Humbling. And I'm sure all of our heart rates are increased right now hearing that list. We did actually go into some of those topics on other quick burst pods on COVID-19, so those are clearly on top of everyone's minds.

JULIE STONE: Rob, we've talked in the recent past about the topic of PTO donation. And it has certainly come up at other times when it's been difficult for people to use all their time off, and they see coworkers dealing with hardship, and yet there are a lot of challenges around that. Maybe just a couple of high-level insights around the concept of gifting PTO for our listeners?

ROB MCGEE: Sure. So just to put PTO in some type of context, generally speaking, about 5% to 10% of employers already have a PTO donation program. And anytime we see, while COVID-19 is certainly unique, but earthquake, hurricane, et cetera, these horrific events, we do start to get a lot of questions as it relates to PTO donation programs.

And one of the reasons employers have somewhat opted away from the PTO donation program is, Julie, to your point, the complexity of them. From a personal standpoint, if I know that Alex is in a difficult situation, of course I'd like to donate Alex a few of my banked or hoarded PTO days that I've been accruing for the past few years, but it doesn't necessarily work that way for an employer that wants to create a tax-advantaged program. And that's where the complexity comes up.

So in order to create a tax-advantaged program, an employer has to create a PTO donation bank. There are only a few reasons why an employee can access that PTO donation bank, one of them being a medical emergency, another being a catastrophic event, which COVID-19 would fall under. When these PTO donation banks exist, the question is, who is going to administer it?

You have to determine how an employee accesses the bank, how employees donate time, what is the value of that time, as employees' salaries are essentially all over the board. So the idea of creating a PTO donation program quickly to benefit, potentially, employees in need from a COVID-19 perspective would create additional work, when a lot of our clients, from a benefits standpoint, are already stretched thin, and certainly ongoing work, as well.

JULIE STONE: Alex, can we come back for a moment to leaves, and bereavement leave and caregiving leave? Are you seeing any other trends or thoughts that you would want to give employers around the near-term flexibility, generosity, anything on this topic that is so important from an employee listening and engagement perspective?

ALEX HENRY: Yeah, absolutely, Julie. And again, that's a topic that hits home, again, with having two little girls at home. And I know a lot of us are in similar places. More progressive employers have been putting forward paid family leave programs. Not the traditional bonding programs where you just bond with a relatively young child, but also programs to care for an elder or a sick parent or loved one.

And I think this pandemic has really shed light on the importance of those type of programs to provide some type of a financial safety net when folks are not able to work because of those other caring responsibilities or care duty responsibilities. And having that financial safety net is important to mitigate the financial stress that comes along with being out of work and not having pay or PTO to supplement during a time of caregiving.

JULIE STONE: What do we think the long-term impact on employer approaches to leaves and PTO may be? None of us have a crystal ball, but Alex and Rob, any thoughts on what the future may bring as employers adapt versus react?

ALEX HENRY: Yeah, great question, Julie. And I'll take first stab at that, and Rob, feel free to add on. I mean, one thing I think this pandemic has taught us is the importance of having bank of time to take, both for reasons of being sick or potential exposure to something or caregiving responsibilities. And I know, historically, a lot of employers have gravitated to PTO, which is kind of that one-size-fits-all bucket for personal time and sick time and vacation. I think, in light of this pandemic, I think we're going to see employers look to-- and again, not in mass adoption, but start to gravitate a little bit more towards those traditional vacation/sick buckets, which really incentivize people to take sick time versus coming into work sick.

And yes, there could be some additional abuse, folks taking what we call sickcations in order to capitalize on that time, but really, in looking at mitigating exposure, having that bank of sick or personal time not only helps comply with the various sick leave laws, which are growing at a rapid clip, but also ensures that there is that bank of time that people feel safe to use when they're out sick. So I think that will be one thing we'll see kind of come through to fruition and continue to be adopted as we get through this pandemic and more states adopt sick leave laws.

ROB MCGEE: One thing that is certainly going to be a decision for employers to make in light of COVID-19 is that question around eligibility. And from a state and a city perspective, as it relates to both sick leave and paid family and medical leave, the majority of those pieces of legislation are a lot more encompassing than a lot of our employers' company short-term disability, paid leave, paid time off, vacation, even sick leave programs. And we have seen a number of employers, in light of COVID-19, expand eligibility essentially immediately to employee classifications that weren't provided these benefits historically, with categories like part-timers, temps, et cetera.

And I think that's going to be a really interesting potential outcome of this, is how employers define eligibility for these programs. And in the future, certainly returning to the office is going to be different by industry, but I think there's going to be a lot more focus on staying home when you're sick. And the fact that a lot of

employee types don't necessarily have these benefits certainly incents employees to [INAUDIBLE] some of their own behavior.

STEVE BLUMENFIELD: Fascinating, complex set of issues. Alex, Rob, thank you so much for your time here today on the podcast.

ALEX HENRY: Thanks for having us.

ROB MCGEE: Yeah, thanks a lot.

STEVE BLUMENFIELD: Julie, once again thanks so much for being my partner in crime on this.

JULIE STONE: Absolutely, although I'll bail you out of jail, if need be.

STEVE BLUMENFIELD: Uh-oh. What are you saying? And thanks to all of our listeners for joining us on Cure for the Common Co, COVID edition. We look forward to connecting with you again shortly with more interviews with innovators. In the meantime, be well, stay safe.

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