

# Achieving a Workable Balance



New Jersey  
Employers'  
Experiences  
Managing  
Employee  
Leaves and  
Turnover

Eileen Appelbaum  
Ruth Milkman



# ACHIEVING A WORKABLE BALANCE:

New Jersey Employers' Experiences Managing  
Employee Leaves and Turnover

Dr. Eileen Appelbaum, Rutgers, The State University of New Jersey  
Dr. Ruth Milkman, University of California, Los Angeles

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Center for Women and Work  
School of Management and Labor Relations  
Rutgers, The State University of New Jersey  
391 George Street, 3rd Floor  
New Brunswick, NJ 08901-8555

Phone: 732.932.4614  
Email: [cww@rci.rutgers.edu](mailto:cww@rci.rutgers.edu)  
Visit our website at [www.cww.rutgers.edu](http://www.cww.rutgers.edu)

## About the Authors

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**Eileen Appelbaum** joined Rutgers University as Professor and Director of the Center for Women and Work in March 2002. Formerly she was Research Director at the Economic Policy Institute in Washington, D.C. and Professor of Economics at Temple University. Her research focuses on work-life practices of organizations, with an emphasis on issues related to work time and flexibility. Her recently published papers include “Organizations and the Intersection of Work and Family: A Comparative Perspective,” in *The Oxford Handbook on Work and Organizations*; “Contesting Time: International Comparisons of Employee Control Over Working Time,” in *Industrial and Labor Relations Review*; and “Balancing Work and Family: The Role of High Commitment Workplaces and Industrial Relations,” in *Industrial Relations*.

A second major strand of her work focuses on modern human resource and work organization practices. Dr. Appelbaum has studied and written extensively about employee participation, and is co-author of *Job Saving Strategies: Worker Buyouts and QWL* (1988), *The New American Workplace* (1994), and *Manufacturing Advantage: Why High Performance Work Systems Pay Off* (2000). Both of the last two books were chosen by Princeton University for its lists in 1995 and 2001 respectively of *Noteworthy Books in Industrial Relations and Labor Economics*, as was her most recent co-edit volume *Low Wage America: How Employers Are Reshaping Opportunity in the Workplace* (2003).

**Ruth Milkman** is Professor of Sociology at UCLA and Director of the UCLA Institute of Industrial Relations. She did her undergraduate work at Brown University and received her M.A. and Ph.D. from the University of California, Berkeley. Before moving to UCLA in 1988, she taught for several years at the City University of New York. She has also taught as a visiting professor at the University of Warwick (England), the University of Sao Paulo (Brazil) and Macquarie University (Australia). Her research and writing has ranged over a variety of issues surrounding work and labor organization in modern societies. She has written many articles and three books: *Gender at Work: The Dynamics of Job Segregation by Sex during World War II*, which won the 1987 Joan Kelly Prize from the American Historical Association; *Japan's California Factories: Labor Relations and Economic Globalization* (1991); *Farewell to the Factory: Auto Workers in the Late Twentieth Century* (1997); and the forthcoming *L.A. Story: Immigrant Workers and the Future of the U.S. Labor Movement* (2006).

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# Executive Summary

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This study finds that many New Jersey employers have kept pace with the changing demographics of the labor force. In today's modern economy, no working parent should have to choose between keeping a job and the care of a sick child; no employee should have to choose between what he or she owes to an employer and what is owed to an elderly parent. It isn't fair to ask employees to make such choices and, indeed, many New Jersey companies have put in place policies that allow employees to fulfill these critical family obligations and still be productive members of the workforce.

The research examines a cross-section of employers in diverse industries to understand how they manage employee leaves and turnover. We conducted case studies of employers ranging in size from three to more than 3,000 employees. Participants were promised confidentiality, so names of individual companies cannot be disclosed. The study concludes that family leave has already become a routine feature of the personnel policies of many New Jersey employers. While the New Jersey employers we interviewed may be above average, the case studies are very instructive. The interviews offer a detailed portrait of employer policies and practices and provide important lessons about how employers in a variety of settings accomplish company goals when employees are on leave.

With respect to personnel practices at New Jersey companies, the study found:

- Few New Jersey employers provide their workers with paid family leave *per se*. However, many employees working for the companies studied are able to draw full or partial pay for family leave by using vacation, personal days or paid time off.
- Workers employed by larger establishments are more likely to have paid family leave benefits than those employed by smaller ones.
- However, small New Jersey employers in this study all voluntarily abide by the federal Family and Medical Leave Act (FMLA) and hold employees' jobs for at least the 12 weeks provided in the federal legislation, which applies only to employers with 50 or more employees.

The study also looked at companies' experiences with family leave. The study finds that:

- New Jersey companies report little abuse of the FMLA.
- Most employers studied have long established mechanisms for ensuring that work will be covered during employee leaves or absences.

- Inventive arrangements have been adopted to ensure that the work gets done when employees are on vacation or on leave, including family leave.
- Solutions crafted by employers create modest costs relative to the costs associated with employee turnover, which is both more frequent than the use of family leave and, generally, more disruptive and more expensive for employers to address.

### **Next Steps: The Business Case for Paid Family Leave Insurance in New Jersey**

Paid family leave insurance in New Jersey would extend the state's Temporary Disability Insurance program to provide most New Jersey workers with up to 12 weeks of partial wage replacement over a 12-month period to care for a seriously ill family member or to bond with a new child.

Many New Jersey employers are aware that enabling employees to meet their family responsibilities reduces turnover, improves morale, and is good for business. The study found that New Jersey employers would benefit from paid family leave insurance in other ways as well:

- Many companies (mainly larger businesses) that allow employees to use sick days or other paid time off will benefit. Coordinating their existing paid time off benefits with the new state family leave program will result in considerable cost savings for these employers.
- For small businesses, paid family leave will help level the playing field with big companies in the war for talent by providing employees with a benefit they value – partial wage replacement during family leaves.
- Finally, all New Jersey companies will be able to use the salary savings from having employees on family leave collect partial pay from the state insurance system to defray the cost of hiring a temporary worker or paying overtime to current workers to get the work done.

Our case studies suggest that concerns raised by some business people regarding the costs associated with paid family leave may not be warranted. While there may be costs to employers of getting work done while an employee is on family leave, these costs are often counterbalanced by reductions in employee turnover. For most employers, the costs associated with turnover and the disruptions caused while a position is vacant or a new employee is getting up to speed far outweigh the costs of family leave. Paid family leave enables New Jersey employees, businesses and government to come together and create a winning situation for everyone.

# Achieving a Workable Balance:

New Jersey Employers' Experiences Managing Employee Leave and Turnover

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New Jersey employers, like many of their counterparts across the U.S., are successfully adapting to three significant demographic changes in the workforce. More women, including mothers of young children, are working for pay than ever before and are striving to meet their dual obligations to care for their families and to perform effectively on the job. Women are a significant pool of skilled employees that New Jersey companies seek to recruit and retain in order to remain competitive. At the same time that women have increased their participation in paid employment, men have shown a desire for greater involvement in the lives of their families – preferring to spend more time with their children, to share important milestones, and to help care for family members when they become seriously ill or disabled. Finally, the aging of the baby boom generation means that more workers are likely to face their own serious health problems or to have spouses, partners or elderly parents rely on them for care.

Alongside these demographic changes, the culture of long hours of work has become firmly entrenched in many companies as competition for customers and market share has intensified. Full-time hours for many managers, professionals, lawyers, accountants and consultants routinely exceed the 40-hour norm. Hourly employees in hospitals, factories, construction, telecommunications and utilities are often required to work mandatory overtime. A longer work week and less control over work hours magnify the time pressures that employees face, and make it more difficult for them to achieve a workable balance in their lives.

In this environment, employees may sometimes need to take time off from work to deal with pressing family situations – to protect the health and safety of their children or to care for a parent who falls ill. Facilitating family leaves for employees who need them, and managing the work process on those occasions when an employee takes such a leave, have become urgent tasks for employers who seek to retain employees who must balance the complex time demands and responsibilities of work and family life. A failure by managers to provide employees with the flexibility to respond to acute or emergency family situations places these workers in the position of having to choose between their job and their responsibility to care for their families – a choice no one should have to make. Putting employees in such an unfair and untenable situation leads to problems of poor employee morale and dissatisfaction with work and, often, to higher employee turnover.

Most employers understand this, and want to be fair. As a result, family leaves have already become a routine feature of the human resource management repertoire of many New Jersey employers. Indeed, as we describe in great detail below in the section on how work is covered during family leaves, virtually all the employers we interviewed have developed systematic, and often quite ingenious methods of handling such situations.

Public policy has also addressed the need for family leave. The federal Family and Medical Leave Act (FMLA) of 1993 provides employees in companies with 50 or more employees in a 75-mile radius with up to 12 weeks of unpaid job protected leave for maternity or medical reasons, or to bond with a new child or care for a seriously ill family member. New Jersey's Family Leave Act (NJ FLA), enacted in 1993, provides employees in establishments with 50 or more employees with up to 12 weeks of unpaid job protected family leave in a 24-month period for bonding with a newborn or newly adopted or foster child, or to care for a seriously ill child, spouse, partner or parent.

The growth of paid employment of women along with the growing need for eldercare have increased the need for family leave in recent decades. Yet because the events that lead employees to require family leave are spread over the life course, a relatively small proportion of the workforce takes leave from work to care for family members at any one point in time. National surveys of the effects of the FMLA on employers and employees, conducted in 2000, examined the frequency of family leaves in the 18-month period preceding the survey. The study found that 3% of employees reported taking family leave to bond with a new child, 2% took it to care for a seriously ill child, 1% to care for a seriously ill spouse, and 2% to care for a seriously ill parent. This is a total of 8% of all employees over a one-and-a-half year period, whether covered by the FMLA or not.<sup>1</sup> The survey of employers found that managers reported that 3.3% of employees in establishments covered by the FMLA took family leave during this period.<sup>2</sup> A survey of more than 250 California employers in the spring of 2004 found similar results. The California employers reported that in the year prior to the survey 1.1% of employees had taken a leave of more than one week to bond with a new child and 1.8% had taken a leave of more than one week to stay home with a seriously ill child, parent, spouse, or domestic partner.<sup>3</sup> On July 1, 2004 California became the first state in the nation to provide partial wage replacement for employees taking family leave. In the first year of operation of the paid family leave law (July 1, 2004 to June 30, 2005), just 1.3% of eligible California employees took paid family leave,<sup>4</sup> about half the number that the earlier surveys suggested would be taken. Some employees



may work for establishments with more generous paid leave benefits than are provided under the new law and may choose to use company benefits rather than the state's paid family leave program, while other employees may not yet be aware of the new California paid family leave law.<sup>5</sup>

The 2000 national surveys of employers and employees also found that leaves related to child birth or adoption tend to be longer than those for care of a seriously ill family member. While more than half (55%) of leaves to care for a newborn or for a newly adopted or foster child are concluded in 10 workdays or less, another 35% end in 11 to 60 workdays, and 10% are longer than this. In the case of a new child, however, employers generally have advance notice that an employee is planning to take leave and can take steps to cover the work. Sudden unexpected absences from work of more than a week to care for a seriously ill child, spouse, partner or parent present more significant challenges for employers. Except in cases of extreme duress, however, these leaves generally end in less than 10 workdays as family members recover or alternative arrangements, such as nursing home care, are made. More than 80% of leaves to care for an ill child, spouse or parent end in 10 workdays or less, and half or more of these leaves end in 5 workdays or less.<sup>6</sup>

To learn more about the challenges New Jersey employers face when an employee must be out of work for more than a week to bond with a new child or to care for a seriously ill family member, and with funding from the Schumann Fund for New Jersey, the authors of this report conducted 13 case studies of New Jersey establishments in a variety of employment settings around the state in 2005. The case studies included on-site visits and in-depth interviews with owners, human resource managers and/or operations managers in establishments drawn from a wide variety of industries in which an employee had taken family leave in the past 12 months. Table 1 provides basic background information on these cases. The establishments vary in size from 3 employees to more than 3,000. More than a third of the establishments are small employers – four have less than 50 employees and two have between 50 and 60; a quarter have workers represented by a union. The establishments are drawn from a variety of industries employing workers in diverse occupations, including medical devices, professional services, information technology, corporate headquarters, financial services, healthcare, construction, manufacturing, retail and restaurants.

Because of the complexities of gaining access to such employment settings and the likelihood that employers with a concern for work-family balance tend to be more receptive than other employers to requests for site visits and interviews, the New Jersey establishments we visited may be above

<b>Case Code</b>	<b>Type of Business</b>	<b>Total employees</b>	<b>Exempt Employees</b>	<b>Female Employees</b>	<b>Unionized Employees</b>	<b>Covered by FMLA?</b>	<b>Covered by NJFLA?</b>
A	Low Income Housing Development	24	14	11	0	no	no
B	Corporate Headquarters	625	168	130	0	yes	yes
C	Factory (heavy manufacturing)	1,080	71	301	1,006	yes	yes
D	Luxury Shore Condominium	13	9	4	0	no	no
E	Small Gift Shop (caters to corp. clients)	3	2	3	0	no	no
F	Professional Client Services	1,053	75%	48%	0	yes	yes
G	Professional Audit Services	400	85-90%	160	0	yes	yes
H	Medical Devices Company	1,153	841	312	63	yes	yes
I	Residential Construction Company	239	155	130	0	yes	yes
J	Hospital	3,376	414	2,773	254	yes	yes
K	IT Consulting	18	14	9	0	no	no
L	Restaurant Franchise	57	4	26	0	yes	yes
M	Family Owned Supermarket	52	0	27	0	yes	yes

average in terms of employer provided benefits and leave policies. Nevertheless, the case studies are very instructive. The case study establishments vary widely by industry and occupation, and the interviews offer a much more detailed portrait of employer policies and practices than can be gleaned from survey data. They are instructive, moreover, in that they offer

important lessons in how employers in a variety of settings accomplish company goals when they are temporarily short staffed.

The interviews, which ranged from 30 minutes to 2 hours in length, provide a rich collection of qualitative data on how New Jersey employers manage family leaves, both at the level of official company policy and of actual practice. The interviews were designed to provide information about the types of leave policies that are available to employees, about informal practices within the establishment, and about how managers get the work done when employees are out on family leave.

The interviews also elicited information about employee turnover and its effects on the establishment. Nationally, an average of 22.5% of private sector employees voluntarily quit their jobs each year at an average turnover replacement cost per full time worker of \$13,335. Quit rates are substantially above this average in leisure and hospitality (44%) and retail trade (30.2%). Turnover costs average 25% of an employee's annual salary and range from an average of \$6,495 in the leisure and hospitality industry to \$18,615 in the information industry.<sup>7</sup> Employers often adopt policies that facilitate employees taking time off from work to provide care for family members in order to avoid the greater costs and disruption that occur when an employee quits. Facilitating employee leaves may contribute to higher retention rates and offer potential cost savings to employers.

### **Paid Leave Benefits**

Few New Jersey employers provide their workers with paid family leave per se. A July 2003 survey of 688 member companies compiled by the New Jersey Business & Industry Association (NJBIA) found that – depending upon size and employee group (blue collar, office non-exempt, salaried exempt) – between 6.8% and 10.6% of establishments provide paid leave for nonmedical leaves of any kind, including family leave.<sup>8</sup> However, many employees are able to draw full or partial pay for family leave by using vacation leave, personal leave or paid time off. (Paid time off is an increasingly common benefit which combines paid sick leave, vacation leave and personal days into a single program. According to the NJBIA survey, New Jersey employers reported that 42% of exempt and clerical employees and 30% of non-exempt production workers had paid time off banks in 2003.)<sup>9</sup>

As Table 2 shows, among the employers we interviewed (as noted above, a relatively family friendly group), about half offer paid parental or family leave. In cases F and G, this is 2 weeks of parental leave to bond with a newborn (4 weeks for adoption in case G); in case A, paid parental or family leave is available only to exempt employees (i.e., salaried managerial, professional

Case Code	Type of Business	Total employees	Paid Parental/Family Leave	Paid Sick Leave	Paid Vacation	Paid or Flexible Time Off (PTO)	Paid Short-Term Disability
A	Low Income Housing Development	24	exempt only	exempt only	exempt only	no	exempt only
B	Corporate Headquarters	625	no	yes	yes	no	yes
C	Factory (heavy manufacturing)	1,080	no	yes	yes	no	yes
D	Luxury Shore Condominium	13	no	yes	yes	no	no
E	Small Gift Shop (caters to corp. clients)	3	no	no	no	no	no
F	Professional Client Services	1,053	2 weeks "child care" leave	yes	yes	yes	yes
G	Professional Audit Services	400	2 weeks father; 2 weeks parental-birthmother; 4 weeks adoption	yes	yes	no	yes
H	Medical Devices Company	1,153	yes	yes	yes	no	yes
I	Residential Construction Company	239	yes	yes	yes	yes	yes, tops off state benefit
J	Hospital	3,376	yes	yes	yes	yes	no
K	IT Consulting	40	yes	yes	yes	yes	yes
L	Restaurant Franchise	57	no	exempt only	exempt only	no	no
M	Family Owned Supermarket	52	no	no	yes	no	no

and technical employees). Except in the case of the smallest establishment (case E), all of the establishments we visited provide their workers with other fringe benefits – such as paid sick leave and paid vacation – that typically serve as sources of income during family-related leaves. In a few of these cases, these benefits are provided to exempt employees only.

Employers who provide paid sick leave, paid vacation leave, and/or paid time off often permit workers to draw on them to cover family-related absences to bond with a new child or care for an ill family member.

However, the availability and adequacy of such benefits are far from universal in New Jersey. Workers employed by larger establishments are more likely to have such benefits than those employed by smaller ones. And, regardless of size of establishment, such provisions tend to be more generous for salaried managerial/professional/technical employees than for blue collar production or pink collar sales and office employees. New employees in most New Jersey establishments have very little or no paid vacation leave. Even after two years of service, however, between a tenth and a quarter of New Jersey establishments still provide employees with just 0 to 9 days of paid vacation.<sup>10</sup> Sick leave benefits are less generous than vacation benefits. Almost a quarter of small New Jersey establishments (less than 50 full-time employees) and about 18% of larger ones (50 or more employees) do not provide company-paid sick days. And between a half and three-quarters of companies with paid sick leave provide five or fewer days to employees, even after 10 years of service.<sup>11</sup>

Previous research has shown that women and low-income workers are less likely than men and higher-income workers, respectively, to have access to these de facto paid leave benefits. Yet these workers are as likely as other workers to need such leaves.<sup>12</sup>

### **New Jersey Employers' Experiences with FMLA Leaves**

Employers' experience with leaves under the federal FMLA, which covers organizations with 50 or more employees in a 75-mile radius and workers employed more than 1,250 hours in the previous year, is instructive. Business groups actively opposed FMLA prior to its passage.<sup>13</sup> Yet in the decade since, employers appear to have had relatively little difficulty adhering to its provisions. The national survey of employers in 2000 found that almost two-thirds (64 percent) of respondents found it "very easy" or "somewhat easy" to comply with the FMLA, and even larger majorities reported that the 1993 law had "no noticeable effect" or a "positive effect" on productivity (84 percent) or profitability (90 percent).<sup>14</sup>

Table 3 summarizes the FMLA experience of the New Jersey employers we interviewed. As in the national survey, two-thirds of the companies we interviewed report no difficulty administering it. As one manager put it (case J), "Back when we didn't have it, if you told me this is what I had to do, I think I would shoot myself. But now that we do it on a day to day basis, it's no big deal." Indeed, this employer has a very generous pregnancy leave policy and permits employees who give birth to use the 12 weeks of FMLA for maternity leave and follow it with 12 weeks of NJ FLA bonding leave. That, as another manager explained, is because "there's a human touch

Case Code	Type of Business	Total employees	Covered by FMLA?	Employees aware of FMLA?	Employees Return after FMLA Leaves?	Effect of FMLA on Organization
A	Low Income Housing Development	24	no	info is passed on informally	1 returned, other is still on leave	abide voluntarily, no problems
B	Corporate Headquarters	625	yes	informed when they take it, HR now writing policy	don't track	no impact; company policy more generous than FMLA so unnecessary paperwork
C	Factory (heavy manufacturing)	1,080	yes	in emp benefit book plus have signs all over	most return	difficult to administer, need to conform also with NJ FLA; negative effect on prod. and profit but reduces turnover
D	Luxury Shore Condominium	13	no	N/A	75%	hold job for employee on family or medical leave; no problems
E	(caters to corp. clients)	3	no	no	employee returned as consultant	hold job for employee on medical leave
F	Professional Client Services	1,053	yes	yes	most return	handled by out-of-state office => glitches, too much paperwork; stress leaves after 9-11 a problem
G	Professional Audit Services	400	yes	electronic policy manual; streamlined application process	84%; new mothers can return on reduced hours	no problem to administer; no effect of productivity or profit, reduces turnover
H	Medical Devices Company	1,153	yes	emps informed when they take a family medical leave	99.9%	manual intensive and requires time to administer; no impact on prod. or profit
I	Residential Construction Company	239	yes	emps informed when they take a family medical leave	don't track	covering work is an issue; also ambiguity as to whether emps who go on leave will return
J	Hospital	3,376	yes	HR people regularly review leave policies with emps	almost 100%	not a problem administratively; no impact on prod. or profit
K	IT Consulting	40	no	N/A	one returned, one left	hold job for employee on family or medical leave
L	Restaurant Franchise	57	yes	informed when they need such leaves	all returned	not a problem to administer; no effect on productivity, profit, turnover
M	Family Owned Supermarket	52	yes	poster posted; informed when they need leave	all returned	not a problem to administer; small neg. effect on profit due to slower service

here.” Some companies did report difficulties administering the FMLA, however. In one case (case H), the company uses a manual system to track the leaves and this made the process time consuming. At a second company

(case F), FMLA leaves are handled by an out-of-state office, which has resulted in glitches and unnecessary paperwork. A third company (case C) has had difficulty coordinating FMLA leaves with family leaves available to employees under the NJ FLA. Another company (case I) reported that, while it was not an administrative problem, ambiguity about whether an employee who goes on leave will return creates headaches for planning.

Most of the New Jersey companies in our study that are covered by the FMLA reported no impact on profit or productivity and generally positive effects on morale and turnover. One of the companies reporting a negative effect faced special circumstances. The professional client services firm in northern New Jersey (case F), with sister offices in Manhattan, “was very much affected by 9-11. Many people went on stress leaves, or were out to care for a family member. People were out for a long time. This was very difficult to manage.” However this company also reported positive effects on employee morale and retention noting, “It gives people great comfort to know they have a certain amount of job protection.” The family owned supermarket (case M) reported no problem complying with the FMLA, but a small negative effect on profit due to slower service discouraging some customers from making purchases. The residential construction company (case I) reported difficulty covering the work of employees on leave that negatively affected productivity.

The surprise finding is that the small New Jersey employers in this study that are not covered by FMLA all voluntarily abide by its provisions, and hold employees’ jobs for at least the 12 weeks provided in the federal legislation for employees on family or medical leave. One small employer (case D) held a front desk job for an employee who took time off to care for her adult daughter who was having a difficult pregnancy – a family leave that is not even covered by the FMLA, which only covers children under the age of 18. Another small employer who adheres voluntarily to the provisions of the FMLA (case A) explained why he does it this way: “That we have so many women on staff makes it important to have a quasi-FMLA policy that supports maternity leaves. The clients are also often mothers, and so this has helped make them aware of the issue.” For the family owned supermarket (case M) with 52 employees, high turnover is a much more serious business problem than family leave. Consequently, they will hold a job for an employee on family or medical leave for much longer than 12 weeks, encouraging them to return whenever circumstances permit, and confident that there will be a job opening for them at that time. The franchise restaurant with 57 employees (case L) also held a job open for a longer period than required by the FMLA and NJ FLA for an employee who gave birth. As the owner told

us, “I have never not taken an employee back after a medical [or maternity] leave. There’s no limit on how long they can be out. We’re not here to hurt anybody. We’re here to help people.” The IT consulting firm (case K) has a staff with unique skills, including administrative staff, and holds jobs for employees who need to take leave because of the difficulty and time required to replace them if they were terminated by the company.

Employers interviewed for this study report very little abuse of the FMLA. Echoing a sentiment we heard from other employers, one manager noted (case B), “We have a highly motivated workforce here at corporate headquarters. Employees don’t take leave unless it is absolutely necessary.” On the other hand, a manager at one company (case C), with punitive absenteeism policies imposed by central headquarters, reported that workers sometimes turned an ordinary, short illness into a medical leave to avoid being fired because they were out sick. This sometimes left the plant manager short staffed for a week or two instead of a day or two. A manager at another company (case F) felt that marginal or poor performing nonexempt employees sometimes abused intermittent leave, complaining of back pain that suddenly develops for example.

### **Covering the Work during Family Leaves**

Although relatively few employees go on leave at any one time, employers must ensure that the work that they would otherwise be doing is covered in one way or another. Indeed, one of the chief concerns raised by business lobbyists about family leave legislation is that employers would incur significant costs in covering the work of employees on family leave in the form of increased overtime payouts and payments for temporary replacements. Thus understanding the ways that employers cover the work of those on leave is particularly important.

The 2000 survey of employers nationwide found that the most common method to accomplish the work is to assign work temporarily to other employees.<sup>15</sup> This method was used by 98% of establishments with 50 or more employees, and by 86% of small establishments. A much smaller number – 41% of larger establishments and 33% of smaller ones – also reported that they hired an outside temporary replacement.

While these figures suggest homogeneity in covering the work of employees on family leave, our case studies uncovered a rich variety of arrangements.<sup>16</sup> Covering the work of employees during both brief and more extended absences is a business necessity, entirely apart from the question of family leave. Managers and employers constantly face the possibility that an employee may quit precipitously, become seriously ill and unable to



work, take an extended vacation or unpaid leave, be called up for military service, and so forth. One company (case I) prides itself on holding jobs open for all employees called up for reserve training or military service, no matter the length of the leave.

Under all of these circumstances, the work of the absent employee needs to be covered. As a result, most employers have long since established mechanisms for ensuring that work will be covered during employee absences – mechanisms they may use when employees go on leave to care for a new child or seriously ill family member, as well as for other types of absences.

Depending on the nature and the urgency of the tasks involved, arrangements for covering the work of absent employees vary widely. In some settings, like a factory assembly line or a hospital, full coverage for all positions is needed virtually 100 percent of the time. At the other end of the spectrum, in office settings where deadlines are more flexible, even an absence of several months often can be covered by co-workers, with less urgent tasks put on hold and others taken over by the staff who remain. In establishments where turnover is very high and hiring is continuous in any case, leaves can be handled easily, since an employee's temporary absence can be covered by one of the new hires, and when she or he returns to work, there is sure to be a position available. In establishments that employ a high percentage of part-time workers, leaves are often covered by temporarily increasing the hours of these employees. In cases where work requires extensive training and very few people are able to take over for someone who is absent, managing leaves presents a greater challenge.

Our interviews uncovered a variety of inventive arrangements managers have devised to handle employee leaves and other absences. Project-based work with tight deadlines carried out by highly skilled employees presents particular challenges. In large companies with multiple on-going projects at various stages of completion, managers are usually able to locate someone with the requisite skills working on a project that is winding down or ending, and assign the employee to cover for the person who is absent. Since layoffs or involuntary "vacations" can occur between projects, the re-assigned employee is unlikely to turn down such special assignments. But how can a small project-based operation manage employee leaves? At the IT consulting firm we studied (case K), the biggest challenge occurs when it is a partner that is absent from work, whether for vacation, maternity, or family leave. The solution at this firm is based on the fact that the work is organized in teams. The teams are fairly flat, and team members rely on each other to get the work done. Partners serve on multiple teams, typically three at any

one time, and teams typically involve two or more partners. One respondent described an actual situation in which he was serving on three teams when a partner on one of the teams went out on maternity leave. Our respondent experienced a 30% increase in workload on that team. However, since this team was one of three on which he served, his overall workload increased by just 10% or half a day a week – a situation that, while not desirable, was manageable. The imaginative approach to work organization in this small company made it possible to cover the work of senior employees with specialized skills when they were on vacation, out sick, or on family leave.

A total of 7% of the workforce at the hospital (case J) took family or medical leave over the course of the year prior to our interview; 1.9% of workers were on family or medical leave at the time of our interview with managers. Nearly all of the leaves are for maternity or for the employee's own illness. Family leaves are relatively rare. Employees are more likely to request a part-time schedule than to ask for family leave to deal with the serious illness of a family member. The hospital allows employees to reduce work hours under these circumstances, and to increase hours again later when a full-time job becomes available. Employee leaves are not the main staffing challenge at this hospital. Rather, it is the fact that the hospital "census" – the number of patients in the hospital – varies greatly from day to day and week to week. The hospital manages this by hiring new employees – RNs, surgical techs, and nursing assistants – on a per diem basis initially. Many of these employees would appreciate more hours. This situation facilitates covering employee absences and leaves. When an employee is absent, the nurse manager for that department immediately taps the per diem staff to fill in the holes. This is cost effective for the hospital, and usually solves the problem. On those occasions when it is not possible to fill an RN or surgical tech slot with per diem staff, the hospital uses the "on-call shift," a costly but infrequently used option. The on-call shift consists of employees who agree to come in whenever they are called. In return, they get paid overtime, a premium, and travel time – a cost of \$50 an hour for RNs. The nurse manager we interviewed reported that in her department, there is a very nice relationship among people and staff will fill in for each other. "Here, we all know what we need to do to get through the day, and we do it." Still, as she told us, "Despite all the systems we have in place, it is taxing to cover absences or leaves, especially for the managers. At the end of the day, managers are exhausted."

The small employer that does low income housing development and management (case A) is a 24/7 operation. The operations manager supervises a crew of 7 people who do maintenance and construction. Sometimes, there is maintenance work that needs to be done urgently. If someone is out

on vacation or on leave, he will have other workers double up and work overtime to get this work done. Construction work on new properties, on the other hand, can be delayed for a day or two if necessary. On one occasion when a crew member was out on disability, the supervisor handled this extended absence by asking the remaining crew members to work an extra hour each day. This is typically how absences of construction workers are covered, in large as well as small construction companies.

A more difficult situation arose at the residential construction company we visited (case I) when employees in the HR department went on leave. One employee who took family leave to attend to a dying spouse was a trainer, one of five, who provides training to operating units around the country. The company canceled some of the classes the trainer on leave was scheduled to teach, but most were handled by others picking up extra classes. The employee “came back more committed to the organization than before.” The employee was out for 15 weeks, “which is tough but manageable.” A second employee took maternity leave and was out for 5 months. Today they have four people where previously there were two doing the same work as this employee, so the position was understaffed to begin with. This was a key district manager responsible for 1,000 employees in New Jersey, New York and Pennsylvania. Some of her work was reassigned to the manager above her, and some was reassigned to the administrative person who worked for her, and who was given a bonus of \$7,000. The company hired a temp to do the work of the administrative assistant. “We patch worked, hit bumps along the way, and went through 4 or 5 temps.” The leave was costly because the department had to hire temps and pay the bonus. But the positive part of the experience, according to the company, is that the manager’s lengthy absence also forced changes in the work organization that eliminated inefficiencies.

Voluntary overtime is also used to cover employee leaves and absences at the factory we visited (case C). Management does not find it necessary to overstaff to cover family or medical leaves since a total of only 5.5% of the work force took a family or medical leave at this factory in the past 12 months, and a much smaller fraction is on leave at any time. FMLA leaves are dwarfed, however, by a weekly absenteeism rate of 5 to 9%, and by an annual turnover rate of 24%. The high turnover allows the factory to “back-fill” in the case of an extended medical leave – that is, a new employee is hired to fill the position, and when the employee on leave returns, the high turnover guarantees that there will be a job for him or her. In contrast, the factory overstaffs by 5% to cover normal absenteeism and to provide coverage when employees are on vacation, but not for family or medical leaves.

At the corporate headquarters we visited (case B), own illness is the main reason employees take leave. As the Human Resource manager noted, “The primary caregiver does not tend to be an employee at corporate headquarters.” The company self insures for temporary disability, and provides all headquarters staff with 100% salary continuation (i.e., full salary) during a personal illness for up to 26 weeks. All employees have laptops, and much of the work can be done from home if necessary. Many headquarters employees are engaged in design and policy work for the company. When an employee is on medical leave, the work either sits and doesn’t get done or is done by other employees. Typically, the work is made up by the employee when he or she re-covers and returns to work, so that in the end there is no loss of productivity.

Like many retail operations, the small family-owned supermarket (case M) found staffing problems due to high turnover to be a much more serious challenge to manage than family leaves. In the year prior to the interview, no employee had taken a family or medical leave. However, two employees took maternity and bonding leaves in the previous year. Both employees returned to work after 10 weeks; one came back to the same job she had held but on reduced hours. In the past, the owner has had workers out for as long as 6 months and has held the job for them for that period. In fact, there is no time limit on family or medical leaves at this business. She explained this policy as follows: “We are a family run business. We get to know our employees. Anyone who is here for more than a year winds up part of our extended family.” When an employee is on leave, she assigns the work to other employees. “Lines get a little bit longer, service a little bit slower. Other employees pick up the slack or they’ll (part timers) work another day.”

The very small gift shop (case E) consists of two partners each on an 80% schedule and one paid part-time employee who created designs for unusual gifts. The partners fill in for each other if either is out sick, on vacation, or (when their children were younger) needed to attend a school event. As the partner we interviewed said, “No one can stay in business for long if they don’t have a back-up plan for when things happen and people can’t come in to work.” When one of the partners experienced a terrible tragedy and was not able to come back to work for many weeks, the other partner handled the situation by utilizing a retired family member to come into the store early, when it was not usually busy, to receive deliveries and take phone calls; and closed temporarily on Mondays so she could have Sunday and Monday off. When the part-time employee developed cancer, the owners held her job for her even though the law did not require this. After surgery, it was quite a while before she was able to come into the store. They handled

this by bringing the work to the employee's home and having her work on it there. The partner we interviewed regretted that they could not pay this employee while she was unable to work and observed that small employers can't afford to pay benefits.

Over a period of many years, the luxury shore condominium (case D), another small employer, has had four employees take family or medical leave. The manager has people lined up who can fill in temporarily when a maintenance man or housekeeper is out. An older male housekeeper was out with a heart attack at the time of the interview, and plans to retire when his disability payments run out. The manager is using the temporary replacement while recruiting a new employee. In another situation, the manager once had a front desk clerk take an unpaid leave for 6 weeks to help her daughter who was having a difficult pregnancy. The front desk supervisor filled in and worked six days a week during that period, so it was stressful for her, but it was not a morale problem because she knew the employee and understood the situation.

Two employees at the franchise restaurant (case L) took FMLA leaves in the past year, one for childbirth and bonding with the child and the other for hip surgery. As is common in restaurants, the work is covered by rearranging shifts of the remaining employees and by requiring some (part-time) employees to work longer shifts. His cooks, who are Mexican immigrants, sometimes need to return home for a few months – far longer than is provided in the FMLA – to care for an ill family member. They cover for each other, and he always lets them have their jobs back.

Three years ago, the professional audit services company (case G) instituted a policy of two weeks' paid parental leave for fathers or mothers (4 weeks in the case of adoption). The company offers longer paid parental leave for adoption because a birth mother will have eight to ten weeks of wage replacement through New Jersey's Temporary Disability Insurance program. From the beginning, men have been as likely as women to take such leaves. Of the 20 to 30 employees (out of 400) who took a family or medical leave in the past year, 5 to 10 were fathers who took this two-week parental leave. More than 85% of employees at this establishment are professionals or managers. Their work is covered in a variety of ways when they are on leave. According to the partner we interviewed, when a senior accountant took a leave outside the busy season, her work was distributed to others. In other instances, when that would be too large a burden on co-workers, a more junior person may be asked to step up and see if they can do the job. Or, someone who is in a lull between projects may be asked to do the job temporarily. When senior managers are on leave, their work is completely reassigned to other employees, on top of their existing workload.

When the manager returns from leave, they will be given a completely new assignment. The partner reported that there are some negative effects when a senior employee is on leave. The work may take longer to complete and, thus, may be more costly. But he has never had to turn away work or not met a client deadline – has never lost a client – because someone went on leave. And the company's generous leave policies are good for employee morale. "It's one of the reasons that people stay and speak highly of the firm – especially since they can come back on a flexible schedule."

The professional client services company (case F) also offers two weeks' paid parental leave to new fathers and mothers in addition to paid maternity leave at 100% of salary through the company's temporary disability insurance plan. Paid maternity leave typically covers 4 weeks before the baby is born and 6 to 8 weeks after. The company also has a generous PTO policy. One of our respondents, who was herself pregnant, had 17 weeks of paid time off available, including maternity disability, 2 weeks paid parental leave, and her PTO bank. The company covers work mainly by reassigning it to other employees, but it can be tough and can require "a lot of creativity." The company discourages the use of temps since this is expensive, and for hourly employees also discourages the use of overtime, "which makes it challenging to get the work done." For "shared services," such as campus recruiting of new employees or managing office-wide events, the company may hire a consultant or a contractor. In client services, managers fill in for each other and help each other out. This can be very difficult if many people are out at the same time, as happened at this company in the post 9-11 period. But this manager also reported that it is comforting and a plus for employee morale for staff to know that they have this job protection.

At the medical devices company (case H), only 15 employees out of 1150 were on a family or medical leave at the time of the interview, a manageable number according to management. The company holds an employee's same job for 90 days for an FMLA leave. However, the company allows employees who have a new child to take a work and family leave of up to 9 months and come back to a comparable job at the end of that period. When an employee is on leave, essential work is shifted to other employees – either the next level up or the next level down. Less essential work waits for the employee to return. Policies are the same for hourly as for managerial and professional employees.

Thus, in virtually all of the establishments we studied, owners and managers have crafted solutions of one sort or another to the problem of covering the work of employees on leave. In many cases they can do so with little additional expense, although it can be challenging to get the work done. In other cases the costs, in terms of premium overtime pay or fees to temp

agencies, are not insignificant – especially if employers continue to pay full salary to the absent employee. Still those costs are modest relative to the costs associated with employee turnover, which is both more frequent than leave taking and, generally, more disruptive and more expensive for employers to address.

### **Turnover and Replacement Costs**

One of the potential benefits of paid family leave is that it may help employers retain valued workers and, more generally, reduce turnover. Turnover involves considerable costs for employers, since recruiting a new employee to replace one who has departed involves a complex process that often consumes many hours of paid staff time devoted to screening, interviewing, and selecting the replacement. Other costs might include advertising, agency or headhunter fees, travel for interviews, and so on. Staff also spend time processing payroll and other paperwork associated with a new hire; additional time is devoted to orientation and basic training for the job. Finally, there are the costs associated with any on-the-job training that new employees go through, and additional costs due to the fact that new hires are not as proficient or productive as an experienced worker. The costs of recruitment and training tend to be especially high for managers and professionals, but can be significant for hourly blue- and pink-collar workers. Nationally, businesses report that average employee turnover costs are \$13,355, but these costs vary widely depending on occupation and industry.<sup>17</sup> Moreover, employers face the challenge of getting work done while the position is vacant. In our case study interviews, we collected information on the costs New Jersey employers currently incur as a result of voluntary turnover.

### **Hourly Employees**

Both turnover rates and employee replacement costs vary widely among our cases. At the two smallest companies in this study (cases D and E), there was no turnover in the past year. Employees typically do not leave these jobs. Turnover is very low at the medical devices company (case H) as well. Hourly employees are mainly administrative support staff. The parent company of this organization has a master contract with a particular temporary staffing firm that permits conversion from temp to permanent employee at no additional cost to this organization. As a result, the costs of recruiting a replacement when an administrative employee leaves are minimal. The major cost is related to training the new employee. If possible, the company tries to have the departing employee train the new hire and to have the two employees overlap for two weeks, at a cost of up to \$1,400 to \$2,000



for double staffing the position during this period. Other costs are the two to three hours required to process the paperwork for a new hire and some small expenses related to the temp firm.

At the small housing development organization (case A), the staff typically spends 20 to 30 hours reviewing resumes, making phone calls to check on an applicant's background, and interviewing applicants to fill a position. Another half hour is spent processing paper work for the successful candidate. At an average staff cost of \$15 an hour, this costs approximately \$375. New hires on the construction crew are hired into entry-level positions and have little prior experience. The supervisor works with the new hire on a one-on-one basis for the first week. Reduced productivity for the supervisor and the new hire costs the organization about \$300 in salary paid for lost time. Thus the total cost of hiring a new hourly worker is \$675. Turnover is low at this establishment, and none of it is voluntary.

The residential construction company (case I) typically spends 8 hours of recruiters' time, 2 to 3 hours of the hiring manager's time, 3 to 4 hours of staff time on the formal orientation program, and 2 hours processing paper work in connection with hiring an hourly employee. The total dollar cost is about \$500 per hire. However, the challenge of replacing an employee who leaves is much greater than this might suggest. It takes at least 6 weeks to fill a job when an hourly employee leaves. In fact, the labor market is so competitive that the HR manager reported she hired a plane to fly a banner at the Jersey shore advertising job openings.

Turnover is high at the franchise restaurant, and the owner is constantly in recruiting mode. The owner spends about \$5,000 a year on newspaper advertising or \$100 per new hire. In addition, he and his staff spend three hours screening, interviewing and selecting each new employee, and half an hour on paperwork processing the new hire. There is a three-day paid orientation program for new employees at a cost of about \$145 each. It takes about 6 weeks for a new employee to reach full proficiency. This cost is borne mainly by the new employee in the form of reduced tips. Turnover costs are about \$300 plus some additional cost for lost productivity while the new employee gets up to speed. At \$300 to \$400 per new hire, aggregate turnover costs at this 57-employee operation run \$15,000 to \$20,000 a year.

Turnover at the family owned supermarket is also very high, exceeding 100% a year. The main cost is for training. The new employee is assigned to "shadow" a more experienced employee for two weeks, and is expected to be at full proficiency at the end of that period. There is also a loss of productivity for the trainer, ranging from 25% in stocking to 50% in deli and 75% in the cashier position. This is a cost of about \$250 in lost productivity



for new hire and experienced employee in a part-time job, and \$500 for a full-time worker. The annual cost is about \$20,000 since two-thirds of employees work full time.

At the heavy manufacturing plant (case C), turnover averages 20 to 25 people a month or 240 to 300 people a year, an annual turnover rate of 24% to 30%. Recruiting is done through friends and relatives of current employees and by posting an announcement on the factory door. Hiring procedures, however, are far more complex at this large establishment. Due to the demands of factory work, the company needs a pool of 400 applicants in order to end up with 100 new hires. Costs include \$25 per applicant for an instant drug test; \$50 to \$75 for further testing for the 8% of applicants that dispute the instant test results; and \$80 for background check. Applicants are given a pre-placement physical to identify pre-existing conditions and provide a baseline for any subsequent worker's comp claims at a cost of \$150, and a workplace assessment by a physical therapist to ascertain if they can lift, bend and do the physical work at a cost of \$100. Staff time of the human resource department for interviewing applicants costs \$200 per hire, and for orientation costs \$20 per recruit brought in for orientation. New employees then get 2 days of paid hands-on training for the work they will do. At \$9 an hour (entry wage), the cost is \$144. New employees are trained in groups of 20, at a cost for the trainers of \$32 per recruit brought in for training. The company has to bring 25 workers in for orientation and training to end up with 20 new hires at the end of the first week, since 5 recruits typically quit before the end of the first week. Staff costs are  $1.25(20+32) = \$65$  per actual hire. New employees are 50% proficient at the end of the two days of training and 100% proficient at the end of the first week. On average, this is 10 hours of lost productivity per new hire over the three days at \$12 an hour (including benefits), or \$120 per new hire. Adding this up, employee turnover costs for an hourly plant employee are \$760. At a monthly turnover of 20 employees, annual turnover costs for hourly employees at this plant are \$182,400. In addition, the company has to pay for overtime hours by other workers to get the work done while the position is vacant, a cost not included in this calculation.

Replacing hourly employees who quit their jobs, in short, can be quite costly for employers, although there is considerable variation depending on the skill level of the workers involved as well as the recruitment method used. Among the establishments we visited, the costs ran from a few hundred dollars to \$2,000. These costs multiply rapidly when turnover rates are high and can exceed \$15,000 annually at a small company and \$180,000 at a large one.

## **Managerial and Professional Employees**

The cost of hiring managerial and professional employees, especially those with specialized skills, tends to be far higher, although turnover is usually lower for these positions. Filling these jobs can be very expensive. The labor market is a national one, so that considerable travel and lodging costs are incurred as part of a recruitment effort. Headhunters, who charge as much as a third of the recruit's annual salary, may also be utilized, although this was rare at the companies in our study. Many firms offer new high level employees help with real estate and moving costs. As in the case of hourly workers, there is much variation in the actual costs of replacing managers and professionals who quit their jobs. Again, our case studies provide concrete illustrations of the costs involved.

At the corporate headquarters of the consumer products company (case B), the company has established an executive search function so that it can do its own searches for executives and managers. Research for an executive search, not counting staff time, costs \$22,000. Staff time averages \$5,000 per hire for salary and benefits, but can be much higher for high paid positions that are difficult to fill. All candidates at the executive level are flown in, and costs include limos, rental cars, housing tours, and hotel expenses in addition to the time of executives at the company to interview the candidate. The cost for this per candidate is \$5,000 and three candidates are brought in for each position that is filled, for a total of \$15,000. The person who is offered the job is then brought back several times and may need to bring their spouse and children to look at schools and housing, at a cost of \$10,000 to \$15,000. The company also pays relocation costs (broker fee to sell old house, moving costs, travel costs to search for new house, temporary housing for up to 6 months, closing costs on new house, and lawyer's fees), which typically costs \$200,000 for a senior level executive position. Thus the total cost to replace a senior executive is \$260,000 for a position paying \$200,000. The cost of turnover for the next level executive is about \$185,000 for a job paying \$125,000. For middle managers in jobs paying \$50,000 to \$125,000, turnover costs range from about \$98,000 to \$117,000. This does not take into account the time it takes new managers to get up to speed in their jobs. For top executives, the first six to eight months are spent traveling around the world to the company's many sites, meeting people in the organization, and deciding how he or she wants to engage or intervene. In lower level managerial jobs, the company hires only experienced people, so these managers typically achieve proficiency in three to four weeks. The result is about 60 hours of lost productivity. In a job paying \$100,000 a year, that is an additional cost of nearly \$3,000.

A similar situation holds for senior managers at the residential construction company (case I). Hiring takes place in a national labor market, several candidates must be considered for each position, and each candidate is flown in two or three times for interviews with high-level company staff at a cost of \$1,500 to \$2,000. Real estate and moving costs – including bringing the family to see the area, hiring a real estate agent, closing costs on the new house, and so on – for the successful candidate cost the company between \$80,000 and \$90,000.

The medical devices company (case H) finds it relatively easy to replace managers up to the Vice President level. Typically such jobs can be filled in three weeks, and it requires about 30 hours of high-level staff time for recruiting, screening, interviewing, selecting and hiring a replacement. Candidates are usually recruited locally, so that relocation costs are minimal. Replacing a scientist who leaves the company, on the other hand, can be quite expensive. It can take 6 months to fill a vacant scientist position, depending on the skills they are seeking. Recruiting, screening, interviewing, selecting and hiring for this position typically requires about 120 hours of high-level staff time at a cost of more than \$6,000. Recruiting takes place in a national labor market and the main cost, as in case B, are related mainly to bringing multiple candidates in for interviews and covering the relocation costs of the new hire. This company's relocation policy is to fly the family in to examine the area plus two house hunting trips, help with expenses related to home buying and moving household goods, provide bridge loans, and cover incidental expenses up to \$1,500. While the company doesn't put a dollar figure on these expenses, total costs for replacing a scientist who leaves are probably in the range of \$30,000 to \$50,000.

At the client services company (case F), employees start out after college in a professional consulting role and rise to management in about five years. The fifth year is a crossroads in the career of many of these employees as the time demands of the job increase. The company finds that 20% or more of employees leave for a job in another industry in the fifth and subsequent years. Replacing these employees is very expensive. Fifth year client services associates earn \$70,000 and, if they have been promoted to manager, earn \$100,000. The tangible costs for replacing a person with five or more years of experience – including recruiting, multiple interviews, travel, training, orientation and paperwork to hire an experienced employee – are typically 1.5 times salary. This figure of \$105,000 to \$150,000 is the average cost for all experienced hires if the company does NOT need to use a headhunter. However, this figure does not include intangible costs. Getting the new employee up-to-speed on requirements in this firm typically takes a significant

amount of time. In addition, the new employee doesn't have the relationships with the clients that the person who left the firm had developed.

The small IT consulting company (case K) replaced one employee, a financial professional, in the year prior to the interview. An extensive background check is required by law to fill this position. In addition, the candidate is interviewed by five partners, some at the company's NJ office and some at their out-of-state office, and must be flown in for these interviews for a total of 2 to 5 trips. Each interview is one to two hours. Staff time to process a new hire is about an hour-and-a-half. There is no formal orientation, but it takes professional staff some time to get fully up to speed. The company doesn't track these costs. We note that partners at this firm earn \$350,000 not counting bonuses, so the cost for the interviews alone is at least \$1,300 for each candidate. Including travel and other staff time, the cost per candidate is \$3,000 or more. Interviewing two to three candidates to fill the position results in a total cost of \$6,000 to \$10,000 to fill a professional position paying \$70,000 a year. If the new hire takes 4 to 5 weeks to get up to full proficiency (and it may take longer), that is another \$2,500 to \$3,000 in costs for lost productivity. The cost of turnover is, thus, in the range of \$8,500 to \$13,000. It typically takes two months to schedule all the interviews and fill the vacant position – far longer than the typical family leave, and the company faces the challenges of getting the work done until the position is filled.

The hospital (case J) is constantly recruiting nurses. Vacancies in permanent positions are typically filled from the per diem pool, but it then becomes necessary to recruit for the pool. Occasionally, a specialized nurse vacancy is filled through outside recruiting. The hospital outsources the checking of references, but 6 to 8 hours of staff time in the HR department is spent on screening new applicants. The recruitment team maintains a web site, goes to and/or conducts job fairs, and does direct mail and radio ads. Interviews of job candidates with the nurse manager plus peer interviews require another 8 hours. Orientation for RNs is three days – one day of general orientation by the education department and two days of nursing orientation staffed by the education department and nurse managers. Orientation accounts for about two-thirds of the cost of hiring an RN. Overall, the cost of employee turnover is \$1,200 per RN or more.

The costs of replacing managerial and professional employees vary widely in New Jersey. Interviewing to find the most appropriate candidate for the job is often an extremely time-consuming process. Hiring a professional earning \$70,000 at a small company in our study costs between \$8,500 and \$13,000, while hiring a middle manager at that same pay at a large company

that recruits in a national labor market and assists with moving costs \$100,000. Filling executive positions or highly specialized professional jobs can be even more expensive.

### **The Business Case for Paid Family Leave Insurance in New Jersey**

Paid family leave insurance in New Jersey would extend the state's Temporary Disability Insurance program to provide most New Jersey workers with up to 12 weeks of partial wage replacement over a 12-month period to care for an ill child, spouse or domestic partner, or parent, or for bonding with a new child.

As this study shows, most New Jersey employers are well aware that helping employees meet their responsibilities to care for their young children or elderly parents reduces turnover, improves employee morale, and is good for business. As we have seen, many of the employers in this study already offer family leave benefits that are greater than those currently required by law – either longer job protected leaves, full or partial wage replacement via paid vacation or paid sick days during leaves and, often, both.

Small companies often find it difficult to match the more generous benefits of their larger competitors, and are at a disadvantage in the war for talent when they try to hire top employees. Small business owners know their workers personally, and all of the small employers in this study give their workers time off for a new baby or serious family illness. They have a hard time providing pay, however, and the prospect of unpaid leave in case of an urgent family situation can make the job less attractive to job candidates. Paid family leave helps to level the playing field for small business owners by providing their employees with partial wage replacement during family leaves.

Large employers with family friendly policies that allow employees to use sick days or other paid time off for family care also benefit. Currently, these employers provide 100 percent of pay to employees on family leave. Paid family leave in New Jersey will enable these employers to coordinate their existing company benefits with the state benefit. Employers will be able to “top off” the state benefit and continue to assure that employees on family leave receive 100 percent of pay at considerable cost saving to the business.

Salary savings to these employers from having employees on leave collect partial wage replacement from the state insurance system rather than using paid sick days or other paid time off can be used to defray the cost of hiring a temp or paying overtime.

While balancing the demands of job and family is critical for New Jersey workers, it also presents challenges for employers. Paid family leave enables

New Jersey employees, businesses and government to come together and create a winning situation for everyone.

Business lobbyists in New Jersey have raised concerns about the impacts of paid family leave. Our research suggests that the reality may be far less problematic for employers than the lobbyists suggest. As we have seen, New Jersey employers already have excellent systems in place for covering the work of employees who are absent for periods of a week or more. And while there are surely some costs associated with these systems, these are often counterbalanced by the savings associated with reduced turnover. For the employers in our study, the financial costs of turnover and the disruptions caused while the position is vacant and while the new employee is getting up to speed far outweigh the costs of family leave.

## Endnotes

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14. Cantor, Waldfogel et al., *op. cit.* Table 6-5.
15. Cantor, Waldfogel et al. *op. cit.* Figure 7.3.
16. Stephen Bevan, Sally Dench, Heather Harper and Sue Hayday. 2004. "How Employers Manage Absence" Employment Relations Research Series No. 25. Department of Trade and Union Industry. London, UK.
17. Employment Policy Foundation. October 22, 2004. "Factsheet: Turnover Costs." Washington, DC: Employment Policy Foundation.



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## **About the Center for Women and Work**

The Center for Women and Work (CWW) is a research and education organization established in 1993 with the mission of promoting workforce development, education, and career advancement across race, class and gender. CWW accomplishes this through research, evaluation, intervention, programs and policy development. To learn more about us, visit our web site at [www.cww.rutgers.edu](http://www.cww.rutgers.edu).

## **About the New Jersey Time to Care Coalition**

The New Jersey Time to Care Coalition is a growing group of community-based, union, educational, advocacy, and business organizations seeking to obtain paid family leave for New Jersey's workers. To learn more about the Coalition and New Jersey's leave laws, visit the web site at [www.njtimetocare.rutgers.edu](http://www.njtimetocare.rutgers.edu).

# Notes

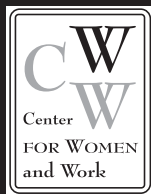
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Center for Women and Work  
School of Management and Labor Relations  
Rutgers, The State University of New Jersey  
391 George Street, 3rd Floor  
New Brunswick, NJ 08901-8555  
[www.cww.rutgers.edu](http://www.cww.rutgers.edu)

