

Paid Parental Leave: Exception or Trend?

Article By:

Sheryl Jaffee Halpern

Earlier this year, we addressed the importance of a carefully written, gender-neutral, and evenhandedly implemented [parental leave policy](#). Less than two months later, [Microsoft announced](#) that it will require all U.S. suppliers with 50 or more employees that perform “substantial” work for Microsoft to offer their employees who take time off for the birth or adoption of a child a minimum of 12 weeks paid parental leave.

In its announcement, Microsoft referenced the [state of Washington’s paid parental leave law](#) that goes into effect in 2020 and acknowledged that such legislation will benefit only employees of suppliers in Washington (where Microsoft is headquartered) and “will leave thousands of valued contributors outside of Washington behind.” The company “made a decision to apply Washington’s parental leave requirement more broadly, and not wait until 2020 to begin implementation.” In other words, if a supplier wants to have the privilege of working with Microsoft, they must offer parental leave benefits at least as generous as the standards Microsoft has set.

Microsoft’s announcement begs some questions: Will other businesses follow suit? Outside of states where paid parental leave is legally required (to date, only California, New Jersey, New York, Rhode Island, and Washington), will paid parental leave become a standard employee benefit instead of a perk offered by only an elite group of employers? And of course, these questions don’t explore underlying motivations: Are companies like Microsoft implementing such programs to benefit families or simply to gain a competitive advantage when recruiting quality talent? And does motivation matter, if the results (for employees, families, and businesses) are the same?

I recently worked with one of our middle market clients to update and improve their paid parental leave policy. Taking note of the disparity in salary replacement to be offered to “primary caregivers” vs. “secondary caregivers” (a very common differentiator in modern times), I played devil’s advocate and asked: What is your goal in offering paid parental leave to your workforce? The answer, not surprisingly, was to give new parents the opportunity to spend quality time with their newborn or newly adopted child. I further summoned the devil: If that’s the case, then why should it matter who is the “primary” caregiver, and why not offer the same benefit for both parents? Better yet, why not follow Microsoft’s example and offer a full 12 weeks of paid leave?

The simple answer our client offered with an audible sigh: “We don’t have the budget for that.” That’s the practical reality facing most small- to mid-size employers, especially those with a predominantly young (i.e., of childbearing age) workforce, as is often found in the tech industry.

Indeed, in such businesses, it's not uncommon for multiple employees to take parental leave at the same time. (This seems to happen frequently in November which, coincidentally, is nine months after Valentine's Day.) Establishing and honoring parental leave policies can become expensive.

Most people — including employers — believe that allowing parents to spend more time with their children is indisputably a good thing. But while [behemoths such as Wal-Mart, Starbucks](#), Microsoft, IBM, Facebook, Netflix, American Express, Etsy, and Bank of America have the financial wherewithal to implement such programs, many smaller employers do not have the ability to fully subsidize parental leaves, despite having the best intentions and hopes for their employees.

While we don't expect state parental leave laws or employer policies to become the norm, it seems clear that such requirements and programs are gaining momentum, particularly in certain jurisdictions, markets, and industries. The question for employers of any size is how to balance competing demands — fiscal realities, attracting and retaining top talent, compliance with local and state statutes — in a manner that enables them to achieve their business objectives while honoring their organizational values.

All of the questions we've reviewed in this discussion are more easily asked than answered. There are no broad-brush solutions, easily painted into an employee handbook. Each company must conduct its own calculus when deciding on the nature and extent of its parental leave benefits.

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