

DIVERSITY VC

Parental Leave Guide



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Introduction

The business case for diversity and inclusion is strong and growing stronger: it helps drive innovation, challenge entrenched ways of thinking and improve financial performance.¹ Yet where diversity builds a workforce fit for growth, inclusion drives their retention. Cultures that champion and not condemn the authenticity and individuality of their employees are more likely to secure the talent needed: a study conducted by McKinsey in 2020 indicated that from a pool of job-seekers, 39% decided not to pursue a position due to perceived lack of inclusion at that organization.²

One key component to creating a more inclusive workplace is embracing parenthood, as 74% of millennials plan to start a family someday.³ The decision to start a family however present serious challenges. In Britain, the statutory parental leave regime can bind both men and women to gender-defined positions upon deciding to start a family: it is the case that men are granted very little time with their newborns, whilst women must sacrifice career progression as assumed primary caregivers. Whilst efforts have been made by the government to redress the balance by introducing Shared Parental Leave in 2015, the scheme has had remarkably low uptake as in most cases, taking separate maternity and paternity leave is more affordable.

To address this, larger organisations are enhancing their parental leave regimes, setting new benchmarks across industries in order to attract and retain the new generation of top talent. These changes are occurring at policy-level and should the venture capital industry wish to remain competitive, firms must take action.

Supported by over 25 UK venture capital and technology firms, this guide is designed to support VC partners in not only amending or introducing their Parental Leave policies but in also guiding policy redevelopment across portfolio companies. The guide offers actionable recommendations, specific considerations for the venture capital industry, and advice to help expectant parents pitch an enhanced policy to their employer. The vision is that by defining new standards at the nest of innovation, a new benchmark can be set for the next generation of funds, companies and parents.

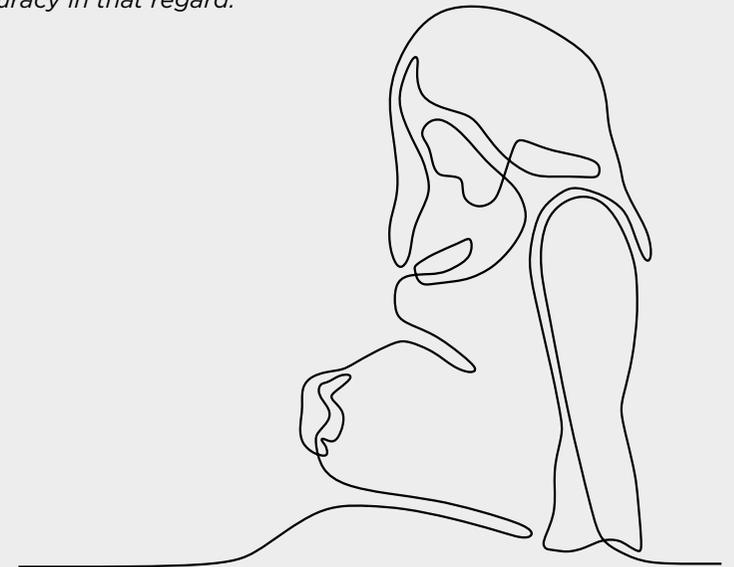


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This document does not constitute legal advice but rather aims to make best practices across the venture capital industry readily available for consideration, adaptation, and adoption. This guide is based on the law in Great Britain and has been reviewed for accuracy in that regard.



¹ "Understanding organisational barriers to a more inclusive workforce." McKinsey & Company, <https://www.mckinsey.com/business-functions/organization/our-insights/understanding-organizational-barriers-to-a-more-inclusive-workplace>.

² *ibid*

³ "Millennials Coming of Age." Goldman Sachs Global Investment Research, <https://www.goldmansachs.com/insights/archive/millennials/>.

Statutory Leave in Great Britain

Legislation in Great Britain sets out the legal minimum family-related time off that an employer is obliged to offer, and applies by default whether or not the right to take the leave is set out in the company's staff handbook.

The legal entitlement to time off that an employee may be eligible for in respect to the birth of a child can be summarised as follows (as of April 4th 2021):

Statutory Maternity Leave (52 weeks)

Right available to all pregnant employees (regardless of the length of service)

Ordinary Maternity Leave - first 26 weeks

Additional Maternity Leave - last 26 weeks

Statutory Maternity Pay (SMP) is paid for up to 39 weeks

To be eligible employees need 26 weeks' continuous employment at the end of the 15th week before the expected week of childbirth (alternatively they may qualify for Maternity Allowance)

90% of average weekly earnings (before tax) for the first 6 weeks

£151.97 per week or 90% of average weekly earnings (whichever is lower) for the next 33 weeks, remaining 13 weeks unpaid

Statutory Paternity Leave

Right available to both men and women where they are the parent of the child or the spouse, partner or civil partner of the child's mother. To be eligible employees need 26 weeks' continuous employment at the end of the 15th week before the expected week of childbirth.

Two weeks

Statutory Paternity Pay

£151.97 per week

or 90% of average weekly earnings (whichever is lower).

In addition to Maternity and Paternity leave, the law in Great Britain also provides for :

- **Shared parental leave:** the right for a mother to end their maternity leave (anytime after 2 weeks from the date of the child's birth) and share the untaken leave (being a maximum of 50 weeks) with the other parent. This enables mothers to return to work before the end of their maternity leave without sacrificing the rest of the leave that would otherwise be available to them. Shared parental leave can be taken by eligible parents either consecutively or concurrently, as long as the total time taken does not exceed what is jointly available to the couple.
- **Adoption leave:** the right for expectant parents to take leave when adopting a child. The statutory adoption leave rights provide entitlements that are broadly comparable with that available in respect of the birth of a child.
- Parental leave (unpaid): a form of statutory unpaid leave available to some working parents in addition to statutory maternity/paternity/adoption / shared parental leave (it is entirely separate from those forms of leave). It can last up to 18 weeks and can be taken until a child's 18th birthday, meaning there's flexibility in terms of the time at which it is taken and the total leave entitlement may be split up into a number of shorter periods



While 'parenting' is seen as a women's problem, it will continue to disadvantage women as they will be seen as 'less sticky' than their male peers. At EF we give fathers 6 weeks of paternity to use as they wish in the first year their child is born. The more we can make parental leave everyone's issue, rather than just women, the easier I believe it will be for women to progress in their careers (whether they have children or not!).

- Alice Bentick, Co-Founder, Entrepreneur First

Statutory Leave: Key problem areas

Current statutory maternity and paternity leave assumes families will have one primary caregiver, supported by a partner with few caregiving responsibilities. The significant gap in maternity leave and pay allowances granted to mothers against paternity leave and pay allowances for fathers, bind families to prescribed roles, whilst in the case of same-sex couples primary or secondary caregivers are not necessarily defined. Consequently, the only option is Shared Parental Leave, which is less affordable per household.

Throughout this document we present actionable recommendations for enhancing the terms of the government statute and beyond, to create a more equal and inclusive workspace. These findings were a result of policy analysis from selected UK VC firms, and include:

- Guidance on enhancing the contractual terms of the firm's leave policy;
- Best practices for creating an inclusive culture that supports parenthood before, during and after leave;
- Specific policy considerations for the venture capital industry.



My parental leave could not have been more magical or meaningful to me, my daughters and my wife. I am acutely aware that not all parents have the luxury of this opportunity and, even if they do, so many don't feel they can for so many reasons. To any organisation considering updating their parental leave policies, I would say it's not just about making the change, but it's about how you design your policies and how you build a culture that empowers people to take it up. One step we have found to be effective at Atomico is to build policies that are equitable and flexible to reflect the varied needs of our employees and their families. By making this the heart of our approach, new parents have been able to design an approach to leave and to return to work that created the most positive experience for them, not just in the first weeks and months, but on an ongoing basis.

- Tom Weihmeir, Partner, Atomico



Enhancing the statute

Whilst legislation in Great Britain may define the minimum terms of leave and pay, it fails to address all the contractual, benefit and working schedule questions that arise for new parents, or, in the case of venture capital, questions around carry and board seats. Enhanced terms that are offered to parents vary from fund to fund and should be laid out in the company's leave policy.

Areas to consider

- a. Base compensation
- b. Bonuses
- c. Flexible leave schedule
- d. Holiday allowance and accrument
- e. Benefits
- f. Pension
- g. Carried interest & Options
- h. Board seat policies
- i. Miscarriages policy



Working in venture capital, we focus obsessively on human capital. That's not just the founders we invest in, but the teams we build around us. Reimagining ways to harness the full potential of that human capital, and enable those individuals to bring their whole selves into work, wasn't just the right thing to do, it was good business.

- Leila Zegna, Founding Partner, Kindred Capital

Best Practices: Enhancing the statute

Points below expand on titles of the previous section.

- a. See "Statutory Leave in Great Britain" for Statutory Minimum Maternity/Paternity leave and pay (SMP). To remain competitive most funds will enhance this, depending on size and resource availability.

Best offering	Full pay 26 weeks, 13 weeks SMP, 13 weeks unpaid
Mid-range offering	Full pay 17 weeks, 22 weeks SMP, 13 weeks unpaid
Low-range offering	Full pay 6 weeks, thereafter at the applicable SMP rate

Source: research conducted by Frontline Ventures in 2018

Depending on the size of the fund, companies should consider the introduction of a gender-neutral policy applicable to all employees. In calculating for the statutory offset, firms take on any additional policy costs providing a level playing field for both new mothers and fathers.

- i. See "Parental Leave Costing Tool" to estimate costs of an enhanced policy.
 - ii. Birth mothers can receive up to four months of additional fully paid leave to physically recover, in addition to statutory minimum leave.
 - iii. Firms should avoid differentiating between biological and adopted children when the adopted child is under the custody care of the employee.
- b. During periods of parental leave employees are entitled to the benefit of all the terms and conditions of employment that would have applied if the employee was working, with the exception of their right to "remuneration".

- i. As a result, bonuses are not typically paid in respect of the period that an employee is on leave, as regulations define remuneration as “sums payable to the employee by way of wages or salary”.
- ii. To mitigate the financial impact of employees taking their leave, companies should consider maintaining bonus payments (at the manager’s discretion) or defining a timeframe for bonus eligibility, e.g. revenue generated one financial quarter after leave commenced is still eligible for pro-rata bonus payment.
- iii. Part-time workers must be able to participate on a pro-rata basis in profit-sharing schemes available to comparable full-time staff.



Companies should avoid penalising employees for their leave, especially in the context of carried interest or bonus eligibility. One of my big companies sold while I was on leave, an outcome which is often tied to a big bonus. That should not be overlooked just because of maternity leave timing.

- Kelsey Lynn Skinner, Partner, IP Group

- c. By introducing flexible working policies, employees are able to split their leave allowance and take it any time during the first three years of their child’s life.
- d. Annual leave should continue to accrue in line with the employee’s contractual entitlement during the parental leave period.
- e. Employees maintain access to benefits in line with their contractual entitlement.
- f. The firm should initiate the provision of pension options and entitlements for the leave period, in conjunction with the fund’s pension provider.

- g. The employer will not make any pro-rata reduction to equity incentives in respect of a period of family leave and contractual entitlement should remain intact (equity options or carry).
- i. Part-time workers must be able to participate on a pro-rata basis in equity incentive schemes available to comparable full-time staff.



When I went on maternity leave I was told that my carried interest would stop vesting - which felt really disempowering and unfair. I felt like I was being penalised for taking maternity leave. This attitude and how it made me feel actively made me consider leaving the firm.

- Anonymous VC

- h. Board seat position left to employee’s discretion in discussion with their manager, and to be agreed upon before leaving. (see expansion in section 2.2)
- i. Consider the introduction of miscarriages leave, whereby an affected employee is granted paid grievance leave for a defined period. This is generally uncommon in Great Britain and not currently outlined by the government, employees typically being granted unpaid compassionate leave. Offering 2-6 weeks of paid miscarriage leave should be considered by firms.

Building your Leave Programme

Considering the creation of a “Leave Programme” rather than just a policy enables funds to expand beyond outlining policy terms and instead define fund processes, and support offered before, during, and after their employee goes on leave. It aims to nurture a culture of flexibility and trust, recognising the individuality of its employees. As such, it is advised that these policies act as a guide, allowing for employee input and discussion on a case by case basis.

1. Before Leave

1.1 Areas to consider

- a. Defining earliest date for leave commencement
- b. Confirmation of the leave date and duration
- c. Antenatal or adoption appointment policies
- d. Handover and/or cover during leave

1.2 Best Practices: Before Leave

Points below expand on areas of section 1.1.

- a. Define notification period:
 - i. Confirm the expected due date at least 15 weeks prior to the predicted date of birth / no more than 7 days after an adoption agency has matched an employee with a child.
 - ii. Confirm start and end dates within 28 days of notification
 - iii. Should an employee on leave wish to change their return date, they must do so 8 weeks prior to their agreed return date.
- b. Firms should enable employees to adopt consecutive or non-consecutive leave, agreeing the terms with their manager/partner, with 28 day’s notice.
- c. Pregnant mothers may take paid time off during working hours for all antenatal appointments, and five afternoons or mornings for antenatal classes. These may include any relaxation or parenting classes that their doctor, midwife or health visitor has advised attending.

- i. Fathers, spouses or civil partners may take time off to accompany the pregnant mother for up to two of these appointments, with reasonable notice of absence given. For any further appointments, annual leave must be taken.
 - ii. For adoption appointments, paid time may be used for up to five appointments, for no longer than six hours per appointment, per adoption.
- d. Commitment to organising an internal cover plan if no external hire is being made. This enables a smooth handover including:
 - i. Involvement in maternity cover hiring if applicable (interviewing candidates)
 - ii. Arranging at least a day’s overlap to ensure a smooth transition



When it comes to parental leave, the fundamental flaw with the government’s statute is the unequal burden it places on working women; building Crowdcube with a young family at home, I’ve experienced the challenges of balancing a career with new parenthood first-hand. It is vital that our industry steps up and leads the way to change, empowering men to share the responsibility of childcare and in turn, build a more inclusive working future.

- Darren Westlake, Founder & CEO, Crowdcube

2. During Leave

2.1 Areas to consider

- a. Communications during leave
- b. Board seat policies

2.2 Best Practices: During Leave

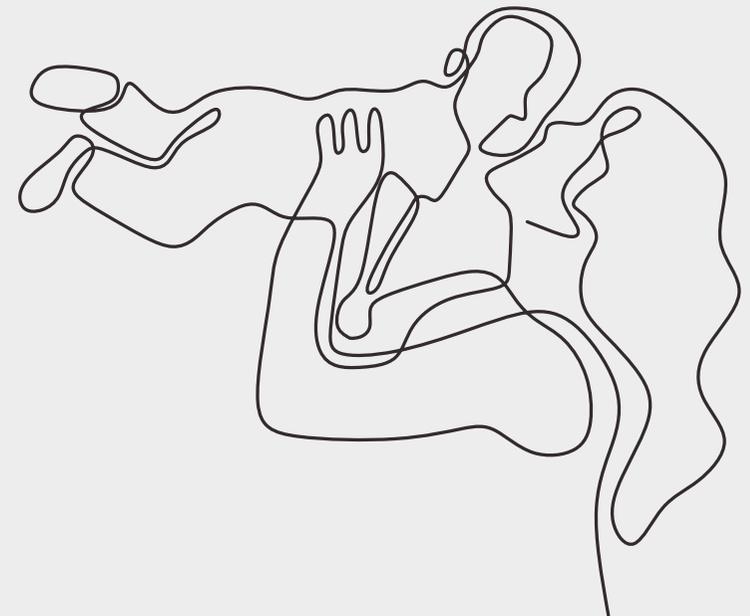
Points below expand on areas of section 2.1.

- a. Maximum of 10 optional Keeping In Touch (KIT) days, during which a parent may work without bringing their parental leave to an end.
 - i. Enables participation in training days/events etc. should they wish to attend. Helps employees remain familiar with their job.
 - ii. Keeps employees informed of new job vacancies, opportunities for promotion etc.
 - iii. Does not affect leave or pay rights.
- b. Firms should adopt an opt-out system with regard to board seats. Should the employee wish to be less engaged, consider either cover by another fund member and/or the option to shift to board observer for the defined period.



In my view, Keeping In Touch days should certainly be used when a member of a Board. By default, members should be keeping their seats as opposed to giving them up for their period of leave. At the very least, there should be provisions for a board seat to temporarily shift to that of an observer, should the member wish to do so.

- Tara Reeves, Partner, OMERS Ventures



3. After Leave

Employees returning from parental leave must balance new responsibilities with otherwise inflexible working schedules, adding stress and costs to their new family. Fostering a culture of buy-in, flexibility, and trust across the firm enables parents to effectively balance their work and family life, thereby increasing satisfaction, retention, and productivity.

3.1 Areas to consider

- a. Flexible working policies
- b. Unpaid parental leave
- c. Breastfeeding policies
- d. Emergency childcare and other benefits providers
- e. Elderly childcare/Sponsored family care



Parental responsibilities do not have an end date - you do not stop being a Parent once your maternity/paternity/parental leave is over. We are all Parents, Children, Siblings, Friends and Caretakers, just as much as we are Employees, Managers, and CEOs. Companies that recognize the importance of not only supporting - but celebrating - the personal dimensions of their teams will be the winners in the fight to attract and retain talent. More than individual policies for “special circumstances”, we need to embrace the concept of Human Leave for a lifetime of personal and professional development.

- Carolina Küng, Head of Platform, Frontline Ventures

3.2 Best Practices: Fostering an inclusive culture after Leave

Points below expand on areas of section 3.1.

- a. A phased approach to rejoining; employee works at either part-time or reduced working schedule for a defined period to ease the transition back to work. Upon return, this could also extend to a reduced working week for 12 months after returning from leave at 100% pay, allowing the employee to spend more time with their young family.
 - i. Managers should work with employees to define expectations in this arrangement for the employee to maintain similar levels of delivery.
- b. Unpaid parental leave is a statutory entitlement, but unknown by many companies or employees. Making employees aware of this option further encourages family balance.
- c. Breastfeeding mothers are entitled to, without loss of pay, a break of one hour or a reduction of working hours to breastfeed or express milk. The one-hour break may be split into shorter periods of time totalling one hour and must be agreed upon with the line managers. Part-time employees will be entitled to the same benefit prorated.
 - i. A fully private, clean and lockable lactation room should be made available for a mother to pump/feed their child in a space shielded from public view.
- d. Increasing benefits packages, with subsidised access to emergency, back-up or even regular ongoing childcare as part of a company benefits package via the likes of [Koru Kids Bubble My Tamarin](#) and access to wider family benefits via platforms such as [Cleo](#)
- e. Wider support is available should employees be caregivers to an elderly family member or a disabled child. Special rules apply and leave allowance can be taken in blocks of less than a week. Flexible working policies can also be amended here to suit the parent - to be discussed with the manager/partner.

Building a more inclusive future

Do

- Do design a programme of leave in conjunction with the employee who will be taking the leave
- Do normalise and encourage paternity leave for male employees
- Do consider whether you can hire cover for the employee going on parental leave
- Do create transparent career trajectory and promotion timelines for post-leave parents
- Do assume that a board member will continue to hold their seat whilst on leave, by default
- Do advise portfolio companies on best practice for enhancing their parental leave policies
- Do consider the introduction of Miscarriages Leave
- Do make room for KIT days if the employee requests them
- Do ensure that you have a Parental plan that extends to “return from leave”; considerations around flex schedules, breastfeeding requirements etc

Don't

- Don't design gender-binding policies that put unequal pressure on employees
- Don't stop vesting carried interest whilst the employee or partner is on parental leave
- Don't take away the board seats of the person on parental leave on a unilateral basis
- Don't nurture cultures that discourage male employees from taking leave



Pitching a new policy

Present programme costing with the [Parental Leave Costing Tool](#)

- See the next section for further details. Using the tool, firms can help estimate additional cost of the Leave programme (and clearly present statutory savings) to management
- The government statute helps offset a significant amount of cost, and developing the Leave programme may be cheaper than executives presume.
- Inclusive Parental Leave policies can help attract top-talent
- VCs are in direct competition with technology giants and investment banks for top talent. These firms all offer increased parental leave benefits.
- According to a 2020 McKinsey study, 39% of those surveyed would turn down a job if the culture was perceived as non-inclusive.

An inclusive culture can help attract the right type of startups

- Startups seek investors with aligned cultural values. A fund perceived to be non-inclusive are less attractive or trustworthy, and are by consequence less likely to attract a diverse pool of entrepreneurial talent for investment.

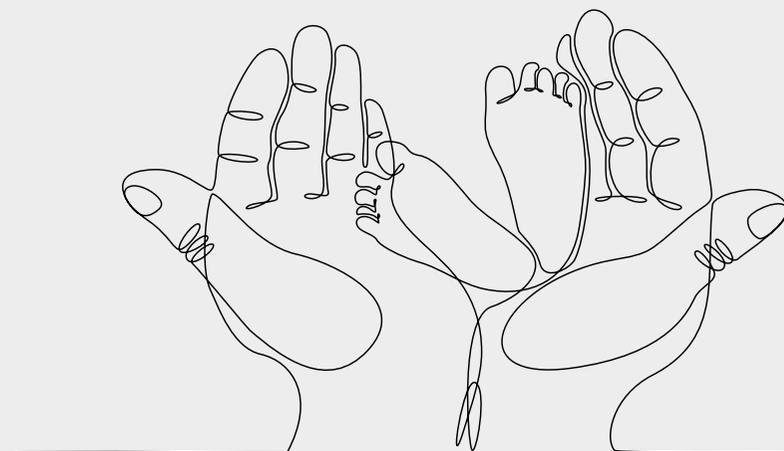
Inclusive Parental Leave policies can help increase employee retention

- It is vital that employees feel respected as individuals beyond just employees. An improved family-experience will lead to happier, more engaged and more productive employees that are more likely to remain within the business.
- Replacing employees is costly, benchmarked in industry at 6-9 months their salary on average.



I wasn't actively looking, but when CompanyX approached me with an offer that was considerably higher than my going rate - I couldn't ignore it. Turns out, the uplift came with a cost; reduced flexibility and increased travel. I am about to go off on Maternity leave. CompanyX needed me to travel for ~50% of my time for the foreseeable future, without any ramp-up period post child. In contrast, my current firm continued to offer what it has always delivered. Lower salary - yes - but promising career growth via aligned incentives (carried interest etc.), flexible work policies (structured to employee needs, including returning parents), and a kick-ass culture. In the end, my choice was between a high paying job that would keep me away from my family vs a lower-paying job with long term growth opportunities and full support to build my career as a working parent - I decided to stay."

- Anonymous VC



Parental Leave Costing Tool

[You can access the Parental Leave Costing Tool here](#). To use, please *“Make A Copy”*.

The Parental Leave Costing Tool has been built to enable firms looking to enhance Maternity/Paternity Statutory terms laid out by the British Government to estimate potential Leave scenarios and visualise costs.

The costing tool presents a total cost to the business, on an annual basis, offsetting the amount covered by the government statute. Firms are additionally invited to input demographic data, which in turn estimates the likely number of leaves on an annual basis. The model uses data extracted from the Office of National Statistics. Please note results are likely overestimations.

Users can also estimate the cost of a single employee on leave, in fields B31 and B32.

Further Resources

- [A fresh look at paternity leave](#), McKinsey and Company study, 2020
- [Choose one: VC or Motherhood?](#) by Reshma Sohoni, Co-Founder and Managing Partner at Seedcamp
- [Maternity Leave 101: What we’ve learned](#) by Carolina Küng, Head of Platform, Frontline Ventures
- [Switzerland Introduces mandatory paternity leave](#), Forbes study, 2020
- [The effect for own or parental leave on spousal earnings](#), Institute for Labour Market Policy Evaluation, 2010
- Benefits platforms:
 - Post-natal support: [Peppy](#)
 - Childcare: [Koru Kids](#), [Bubble](#), [MyTamerin](#)
 - Family benefits: [Cleo](#)

Portfolio Company Support

This guide was designed primarily to support VC partners seeking to upgrade or introduce existing parental leave policies, the recommendations however being equally applicable to their portfolio companies. Resources useful additional to the above:

- [Policy templates](#)
- [Parental Leave Costing Tool](#)
- [AccuRx Open Sourced Parental Leave Guide](#)
- [Inclusion in Tech Guidebook, by Atomico and Diversity VC](#)

This living document presents recommendations based on government regulations which may change over time. We welcome VCs to join the discussion with feedback, ideas and suggestions upon redeveloping their policies.



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Next Steps

At Diversity VC, we're on a mission to make the Venture Capital and industry more inclusive. Please visit our website at www.diversity.vc for details on our reports, resources, internship programme and to get in touch with us. We would encourage all Venture Capital funds looking to implement best practice in diversity and inclusion to go through the audit and certification process for the Diversity VC Standard. For more information please visit

<https://www.diversity.vc/the-diversity-vc-standard>



Partners

One Tech

OneTech connects underrepresented communities with opportunities in the tech startup ecosystem to enable racial, gender and socio-economic equalities. Since 2018 it has engaged with over 1000 founders & supported more than 400 people and 200 businesses. 68% are women; 91% are from black, Asian or minority ethnic communities.

