



# The Case for Parental Leave in Private Equity

Parental leave policies play a crucial role in supporting work-life balance and fostering diversity and inclusivity in the workplace. However, the implementation of these policies can vary significantly across different-sized funds in the private equity industry. In this article, Russell Reynolds Associates explores the varying approaches to parental leave policies by fund size in the DACH (Deutschland, Austria, and Switzerland) private equity industry, highlighting challenges faced by all funds, as well as how to address the growing need for new parental accommodations that promote inclusivity. These findings reflect interviews with over 15 private equity investment and human resources professionals in the DACH region.



## Small-cap funds

**Small -cap funds**, characterized by more limited resources and a smaller workforce, often struggle to establish robust parental leave policies. Most small-cap funds don't typically experience cases of parental leave and face less public scrutiny; as such, they face less pressure to develop leave guidelines and policies. The small team size restricts the flexibility and coverage necessary to manage the absence of professionals during their leave periods. Additionally, the higher costs associated with implementing support services and additional benefits may deter small-cap funds from providing comprehensive benefits. The lack of well-defined policies can discourage employees from requesting benefits and potentially lead to a decline in overall performance or retention of employees. In this context, it becomes imperative to adopt a more individualized approach that takes into account the unique circumstances of each employee while striving for transparency and overall employee satisfaction. We've seen small-cap funds design creative, bespoke solutions, such as some remote work or flexible and extended time off for a lower salary.



## Mid-cap funds

Similar to small-cap funds, **mid-cap funds** face challenges in establishing parental leave policies due to capacity constraints. These funds often lack well-defined guidelines and tend to rely on case-by-case decision-making processes. The duration of leave depends on the employee's position within the organization, with partners potentially receiving more favorable benefits.



## Large-cap Funds

**Large -cap Funds** , due to their public prominence and governance structures, tend to have more established and comprehensive policies. They prioritize setting clear guidelines that comply with country-specific regulations. However, when it comes to compensation during leave, there is divergence among large-cap funds. Some firms maintain full bonuses and carried interest for employees on parental leave, while others may delay promotions to address concerns about fairness or payout of bonuses based on performance in the year preceding the parental leave. The support services and additional benefits provided by large-cap funds also vary. Some funds go beyond regulatory requirements and offer to ship breast milk, pay for a nanny's travel on business trips, and other benefits. However, part-time work remains the exception, rather than the rule, and its feasibility often depends on the individual's circumstances and position. It's also worth noting that full annual vacation is typically not reduced by parental leave in most cases.

# The future of parental leave

As more women enter the private equity industry, evolving expectations for work-life balance, shifting co-parenting trends, and declining birth rates in the DACH region creates a compelling case to re-evaluate parental leave policies. Moreover, there is growing recognition among industry professionals that current approaches hinder **all** employees from taking parental leave, as the impacts on promotion prospects, compensation, and work-life balance are significant.

Considering the changing demands of the workforce, funds of all sizes need to support a more family-oriented and inclusive environment. To attract and retain parents while adapting to modern perspectives and living standards, private equity funds should consider the following:

- Promote open communication and a “safe space” to discuss parental leave.
- Understand employees’ expectations, desires, and demands in order to establish clearer guidelines or policies that provide transparency while enabling long-term planning and potentially mitigating unexpected costs that may impact fund performance.
- Consider creative solutions like part-time or home office models to accommodate parental leave requests.
- Stay flexible, as a case-by-case approach will most likely still be necessary to adapt to individual circumstances. That said, providing clearer guidelines may result in a more diverse candidate pool, making private equity a more feasible option for more job-seekers.





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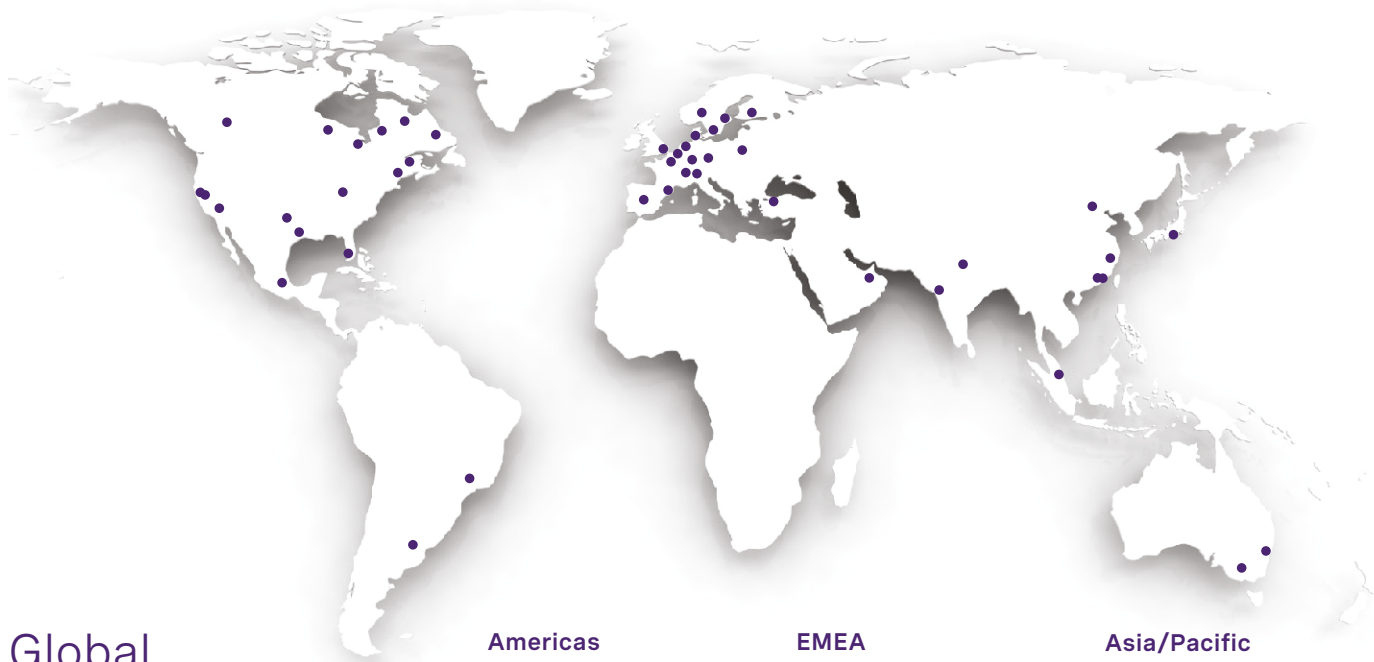
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