

**Testimony of
Laura Wallace
Joint Economic Committee
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Good morning Chairman Schumer, Vice Chair Maloney, and Members of the Committee. My name is Laura Kellison Wallace, Manager of the SAS Work/Life and EAP Programs. I send greetings and regrets on behalf of Jeff Chambers, our Vice President of Human Resources that he was unable to appear before you this morning.

Before I get into my statement, I thought I might give you some context of my background. I am a New Yorker by birth and spent most of my childhood between Manhattan and Brattleboro, Vermont. I graduated from Smith College in 1987 with a major in children's Psychology. I received my Master's degree in Social Work from UNC-Chapel Hill in 1995. I have almost 20 years of experience working with families and children in several capacities including as both a Head Start teacher and in-home research associate; as a Director of an Early Childhood Education AmeriCorps Program for 3 years, and with many years of direct practice experience with families with special needs; court mandates and high-risk behaviors.

For the last nine years, I have worked in the Work-Life/Work-Family field in a university and then corporate setting. Before SAS, I was the Work/Family Program Manager at UNC-Chapel Hill and, as I mentioned, I am now the Manager of Work/Life & EAP Programs at SAS Institute.

I came to SAS almost 8 years ago and was immediately charged with responsibility for work/life programs. I found myself working for a company that provides its employees with a unique environment which fosters creativity and ingenuity. It was because of this environment that I was able to expand and enhance the scope of SAS Work/Life and, ultimately, Employee Assistance Program (EAP) resources and programs for employees and families. I am proud and pleased to work for a company that walks the walk of "family friendly," and it is my hope that my remarks today will contribute to a much-needed paradigm shift from family-friendly policies and programs as "perks" to the very concrete reality that said perks increase innovation and productivity, lower turn-over rates, directly and positively impact recruitment and retention. In other words, family friendly companies make good business sense.

In order to understand how family friendly policies make good business sense at SAS, I think it is important to understand a little bit about its history. SAS was founded in 1976 by Dr. James Goodnight and John Sall, two statistics professors from North Carolina State University, from a grant from the US Department of Agriculture to analyze agriculture data. That first year, the company generated \$138,000 in revenue, with 5 employees. The first office was a rented space across street from NC State. By 1997, the

company had moved from downtown Raleigh, to Cary. It had 5,000 employees worldwide, and was fast approaching the \$1 billion sales mark.

Today, after 31 years in business, SAS is the largest, privately held software company in the world, with roughly \$2 billion in revenues. We have approximately 40,000 customers and an annual software renewal rate of about 98%. SAS employs 10,000 people worldwide, with offices in 112 countries. Approximately 4,000 of our employees are located at our Cary, North Carolina global headquarters. Another 1,200 are spread throughout the United States, with larger offices in Massachusetts, Texas, and Maryland, including one on Seventh Avenue in New York City. Each regional office provides employees with an environment designed to foster creativity and ingenuity, and to replicate as much as possible the environment and benefits provided in Cary. Employees enjoy break rooms stocked with crackers, assorted nuts and M&Ms, as well as coffee, tea, and soft drinks, at no charge. It is not uncommon to see children who are visiting their parents enjoying these goodies in the break room. In fact, SAS is the largest individual purchaser of M&Ms today, purchasing in excess of 23 tons annually.

Before Dr. Goodnight founded SAS, he worked for a brief stint at NASA. The story is that before starting SAS, he worked for a time at NASA. He is fairly candid about not caring for the experience. Executives were treated differently than other employees—having their own break and dining areas and free coffee while “rank and file” employees had to pay a quarter for vending machine coffee. Executives had designated parking spaces; “regular” employees did not. In terms of workspace, NASA employees were lined up in impersonal cubicles with an absence of personality and privacy. That experience left a last and strong impression on Dr. Goodnight, who set about creating a very different environment for SAS—one that is both friendly to all employees regardless of position and that fosters innovation and effectiveness.

Employee-friendly benefits are a hallmark of Dr. Goodnight’s philosophy at SAS: “If you treat employees as if they make a difference to the company, they will make a difference to the company.” SAS’ founders set out to create the kind of workplace where they and their employees would enjoy spending time. Even though the workforce continues to grow each year, it is still the kind of place where people enjoy working, whether at the Cary campus, or in the New York Office. The underlying theory, happy employees drive happy customers, seems to be a winning formula. SAS has been profitable every year; the company continues to enjoy healthy revenues, and its employee turnover rate hovers around 3-4 percent, compared to a national turnover average of around 20%. This statistic is particularly telling about how employee satisfaction at SAS drives profitability. The savings in reduced employee turnover, recruitment, and retention costs has been estimated to be on the magnitude of \$60 to \$80 million annually, according to Jeffrey Pfeffer, a business professor at Stanford University.

Besides smart business, the benefits that have been developed are also the result of common sense. For example, SAS arranged for day care services in the basement of its original building because one of the employees needed day care for her young children. From the company’s perspective, it could not afford to lose this employee and to expend

time, energy and effort to replace her. The pragmatic solution was to offer the day care service.

SAS' success as the industry leader in business intelligence software is the result of the marriage of two complimentary strategies: (1) hiring smart and creative people; coupled with (2) placing them in an environment that fosters creativity and loyalty. At SAS employees enjoy what could be considered "soft" and "hard" benefits.

One way that the company fosters creativity and loyalty is by having a support team on place that can help SAS employees deal with common, every day problems. For example, we have specialists on staff that can do the leg work to research elder care or assisted living programs on behalf of employees. By offering these services, which I have described in more detail below, we help to eliminate some of the real-life distractions that can preoccupy employees and prevent them from being creative, innovative and productive.

"Soft" benefits at SAS refers to those practices that we consider a best "outcome" for our employees. A flexible work environment is one such soft benefit. Employees are encouraged to balance their work life with their personal lives. We actively promote the concept of a 35-hour work week for employees. And we actively promote the concept that we want our employees to work hard at work, but to devote equal amounts of energy to other parts of their lives. For example, it is not uncommon for employees to be told to leave to be able to experience important episodes with their children, such as school plays, tournaments, and graduations. They are not required to take special time off to do these things, if they happen to fall within the traditional 8-hour work day. All we ask is that employees work out their arrangements with their managers to ensure that we have the coverage and assistance in place when SAS is open and it is needed. SAS is open from 7 in the morning to 6 at night, but beyond that, we generally do not worry whether an employee works 9-5, 7-3, 10-6 or some other combination, as long as it has been worked out in advance with management.

That philosophy, working it out with management, really underlies much of what happens at SAS. We do not have a large portfolio of formal written policies. We operate on the trust principle, and have tried over our history to build and develop a culture that inculcates trust in and for our workforce. To date, we have had very little reason to think that our policies have been abused, requiring the "letter and the spirit" of the law to be written out. Rather than a naïve way of operating, what SAS has are strategies that are part of a deliberate, dynamic attraction and retention philosophy. Besides trust, SAS' philosophy is founded on:

- Informed and inclusive decision-making;
- Targeted services and policies that recognize employees' diverse needs and life stages; and
- That the best outcomes for SAS do not translate to "one size fits all" policies; popular and trendy are not drivers.

As a company, SAS has been internationally recognized for its employment practices and beliefs. SAS has been in the Fortune top 50 places to work for 10 years, since the list first came into existence. SAS was again awarded this distinction in 2006 and most important to us, our work/life practices came in at number 9 on the survey. Our European offices were ranked within the top 10 places to work.

SAS compliments the “soft benefits” it provides to employees with other important “brick and mortar” innovations or “hard benefits” that are both intended to inspire employees, and to reduce distractions that may hurt morale and productivity. The Human Resources Division administers these hard benefits through three program areas: Employee Family Solutions, On-Site Health Care Centers and Recreation and Fitness.

The Employee and Family Solutions program employs 125 regular full-time employees and offers benefits ranging from child care, day camps, work life programs and employee assistance programs. Employee and Family Solutions provides day care to over 1,000 children of employees at a heavily subsidized cost. Additional benefits offered to SAS employees include programs addressing on-site Elder-Care, Teen/College, Special Needs, Adoption, Mature Workforce, Financial Planning, Divorce & Separation, and Prenatal Care.

The Health Care Center employs 55 regular full time employees including 4 doctors and 10 nurse practitioners and provides medical care, prevention and screening, education and wellness and specialized care (e.g., physical therapy, nutrition and counseling). Employee health care benefits are provided at no cost and family coverage, no matter how large the family, are capped at \$150.00 per month. Employees are not limited to the Health Care Center. SAS offers an additional coverage option that allows employees to use outside health care providers. Employees in regional offices can use the physician of their choice or participate in a health care network. Although it is not an option in the regional offices, when those employees do visit the SAS campus, they can use the Health Care Center. SAS estimates that a “typical” visit to an outside physician or service would average about 2 hours. For employees visiting the SAS Health Care Center, the fact that this visit takes only 20 minutes represents significant savings to them in terms of reduced stress and hassle, and loss productivity. It also represents significant savings to SAS in terms of enhanced employee productivity, a savings that we estimate is in the millions of dollars annually, far outweighing the costs to offer and maintain the center and the employees.

The Recreation and Fitness Center (“RFC”), the third program offered by SAS, encourages a healthy lifestyle by incenting employees to participate in physical activities. The Cary campus boasts a 77,000 square-foot, on-site recreation and fitness facility, which includes a 9,000 square foot natatorium. Twenty full-time staff are employed at the RFC. The RFC sponsors a variety of leagues and coordinated activities (including ultimate Frisbee!), classes (such as aerobics), running and biking groups, and wellness services (such as personal training, massage, and yoga), and certain on-site services (notably, the hair salon and UPS shipping). The RFC is available to all SAS employees and adult family members at no cost to the employee. For all SAS employees not in

Cary, SAS will cover the reasonable costs of a health club membership, including the initiation fee.

Other benefits offered to help employees with work/life balance that also contribute to SAS' formula for success include on-site subsidized cafeterias, car detailing, and a vendor discount center.

SAS policies also play a key role in creating the work life environment for which it is know. SAS policies include:

- Paid sick leave, which we do not cap;
- Short term disability leave for up to 6 months;
- Long term disability coverage;
- Access to long-term care at discounted rates;
- Three weeks paid vacation for all employees, with an additional week for employees who have been with SAS for at least 10 years;
- Paid holidays, with an additional week off between Christmas and New Year's day;
- Paid Family Medical Leave Act time—which includes absences for childbirth, absences for adoption, and paternity leave for fathers and domestic partners;
- Fully paid employee health insurance, also available for dependents and domestic partners with a cap of \$150/month;
- A 401(k) program, with an employer match;
- Retiree health care; and
- Annual merit salary increases; and
- A profit-sharing retirement plan.

The profit sharing plan is an interesting program in that it provides a bonus to employees' retirement plans. The plan itself is offered at the discretion of the company and is entirely dependent on the profitability of the company. However, the company has always declared a profit-sharing contribution, and it has typically been equal to 10 percent of the company's profits for that year. In practice, this works out to a contribution to each employee's retirement account equal to 10% of that employee's salary. The magic is that by investing it in the retirement account, the employee is not taxed on that money immediately, there is a corpus of funds that are allowed to grow tax free over time, and the employee is helped, encouraged, and enabled to think about and plan for retirement.

For SAS, the reason to be proactive and concerned about benefits is because it is simply good business. Our bottom line savings from investing in our people has been estimated to be \$75 million annually. In turn, those savings help improve our profitability as a company. Just as important, people represent the company's principal and certainly most important "asset". We simply cannot function in any respect without human resources. As Dr. Goodnight is fond of saying, "95% of the company's assets leave the campus at 5:00 and it's my job to make sure they come back in the morning." Benefits, practices, and policies play a critical role in not only the ability to make sure our people come back every day, but to enable us to compete in what regrettably has become a shrinking talent

pool. Our policies are critical to our ability to retain our talent, and given that our schools are falling behind in their ability to graduate scientists, engineers, technologists, and mathematicians, it becomes increasingly important for us to hold on to our precious talent. For us, it is far costlier to replace our personnel than it is to simply provide good and relevant benefits in the first place.

At the end of the day, treating employees well is not just about good business. It is about good common sense.

We thank you for this opportunity to appear today and to discuss SAS' philosophies and strategies. I am happy to answer any questions you may have.