PAID LEAVE PAYS OFF

The Effects of Paid Family Leave on Firm Performance

NEW RESEARCH

Despite increased participation in the labor force, women in the U.S. still assume most of the housework and childcare. This fact has been illustrated starkly during the COVID-19 pandemic, which risks forcing a generation of working mothers out of the labor market.

In this research, Isil Erel and her coauthors explore how lowering labor market frictions for female workers affects corporate performance.

WHAT IS PAID FAMILY LEAVE (PFL)?

State-level Paid Family Leave (PFL) acts require firms to give their employees paid leave for a family or medical event. $$$$ Authors provide causal evidence on the value created by relieving frictions to accessing female talent, for both private and public firms.

EFFECTS ON PRODUCTIVITY

Establishments’ productivity increased by between 4% and 5% in states that passed the law, relative to neighbor establishments in adjacent counties on the other side of the border. The effect is larger in areas with more women of childbearing age.

WHAT IS THE MECHANISM?

Reduced turnover and rising female leadership are potential mechanisms that contribute to performance gains.

SUPPORTIVE CULTURE

PFL allows men and women to participate more equally in the labor force.

The investment in a culture supportive of women’s career ambitions is presumably the key enabling factor for the growth of the female talent pool necessary to affect firm performance.

Overall, our study contributes to the debate by showing that corporate feminism — in this case, forced by regulation — can be good for business.

* https://www.nber.org/papers/w27788

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