

# 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.**

**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>

### 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.**



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