

Parental Leave from the Firm's Perspective

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Abstract :

In this study, we investigate firm-side responses to absence from work, specifically due to parental leave. Our primary focus is on firms' adjustments in the gender and age composition of their workforce. Using detailed matched employer-employee data and a shift-share identification strategy, we leverage variation in exposure and shocks across firms due to several reforms that extended paid parental leave duration in Norway. Our preliminary findings indicate that in response to longer parental leave-related absence, firms with higher intensity of exposure increased employment of young female workers without altering total employment of other workers. We further show that a non-negligible part of the observed employment growth is accounted for by an inflow of young women in part-time jobs, while changes in contractual hours and overtime hours worked do not play a significant role. These adjustments on the firms' labor force are reflected in higher investment and sales, and a significant reduction in the firms' wage bill. Overall, firms appear to have strategically adapted to young women's work interruptions linked to longer parental leave that has so far been an overlooked outcome in labour markets.