

Leave policies can disadvantage women in tough times

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Dr Asha Sundaram is a Senior Lecturer in the Department of Economics at the University of Auckland Business School. Credit: University of Auckland

Female employees with access to family leave policies bear the brunt of economic downturns, according to a new study.

Mandating companies to offer leave for employees, such as new parents, might actually make [gender inequality](#) worse when [economic conditions](#)

are tough, according to a new study.

The study, co-authored by Business School senior lecturer (economics) Dr. Asha Sundaram, with Fariha Kamal and Cristina J. Tello-Trillo (US Census Bureau) examines how the US Family and Medical Leave Act impacts gender composition when companies face an economic contraction.

Dr. Sundaram says the study has implications for all countries with parental or family leave policies, including Aotearoa New Zealand. "The crux of the paper is about gender norms. It argues that gender norms can determine how employer responses to negative economic shocks produce poorer outcomes for women in the workforce."

The [paper](#), "Family-leave Mandates and Female Labor at U.S. Firms: Evidence from a Trade Shock," is published in the *Review of Economics and Statistics (RES)*.

The researchers focused on the three years after China joined the World Trade Organization. They found that an increase in import competition, as was seen during this period, decreases the share of female employment, earnings, and promotions at companies that are required to offer family leave policies (those with more than 50 employees) compared to those that aren't.

This adverse effect is mainly observed among [women of childbearing age](#) without a [college degree](#), especially in companies led solely by men, says Dr. Sundaram.

"Our study highlights a concerning issue: laws designed to protect jobs during periods of leave (such as time taken to look after children) may exacerbate gender inequality in challenging economic times. Companies need to think about how they can ensure their family leave policies and

beliefs about gender roles don't result in limiting women's employment options and potential for progression."

The US Family and Medical Leave Act offers unpaid leave and differs from policies provided in New Zealand and other countries, many of which offer employees paid [parental leave](#), says Sundaram.

"But what is similar in all cases is that the employer essentially bears some cost when it comes to replacing you while you're on leave—for advertising, hiring and training another person to cover your role.

"Some employers may believe that women are much more likely to take leave under the family leave program, which there's some truth to. But because they believe this, they question whether they should invest in women, given that they think women might prefer to focus on their family at some point. So, they could invest less in women, leading to lower productivity among women, which translates into lower employment, lower earnings, and fewer promotions."

This negative effect is magnified in firms with all-male managers, but Sundaram says it lessens when women are in management.

"This highlights a way forward in terms of encouraging more women into senior management roles, because it does seem like these beliefs about gender roles may be less adhered to by women."

Sundaram says an awareness of gender norms and the harm they can cause is vital. "The world is globalizing, and there are constant economic shocks, so my co-authors and I want to highlight that these shocks can have different impacts on men and women.

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employment options and potential for progression."

More information: Fariha Kamal et al, Family-Leave Mandates and Female Labor at U.S. Firms: Evidence from a Trade Shock, *Review of Economics and Statistics* (2024). [DOI: 10.1162/rest_a_01436](https://doi.org/10.1162/rest_a_01436)

Provided by University of Auckland

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