Title: The effect of maternity leave extensions on firms and coworkers

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Abstract: While a large literature is devoted to understanding the impact of maternity leave on children’s outcomes and the careers of women, less is known about the consequences of maternity leave at the workplace. This paper studies the effects of maternity leave on firms and coworkers by examining a 2002 Danish reform which increased the length of parental leave by 22 weeks. The timing of the policy change gives random variation in the length of leave available to women who gave birth around the time of the reform. I find no detectable effect of the reform on the earnings or promotions of coworkers in any of the five years after the reform (point estimates are about $100) and can reject differences in yearly earnings larger than $425 overall and differences larger than $280 for female coworkers. While there are some costs for coworkers in the same occupation as women who give birth in the sample period, these costs are 1-1.5 percent of earnings. I also find evidence that the reform increases the probability of firm shut-down by about two percentage points five years after the reform, concentrated among relatively small firms. Conditional on survival, I find no impact of the reform on firm value added.