

# The Impact of Parental Leave on the Innovative Performance of Micro and Small-Scale Enterprises in on do State.

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## ABSTRACT

Micro and small-scale business enterprises has been adjudged as an important contributor to the development of Nations across the globe, but most of the time they are excluded from the leave policies and support that the big organisations receive to improve organizational performance. Employees run to big organization whenever the opportunities arise and still make meaningful contributions. The aim of this study was to examine how parental leave policies can be beneficial to the small business enterprises performance. The specific objective was to investigate the relationship between parental leave policy and the innovative performance of micro and small-scale enterprises in Ondo State, Nigeria. Structured questionnaire was used to collect primary data from 324 respondents who are either owners, managers or employees in the micro and small-scale enterprises. Multistage sampling technique was used to select the sample size used for this study. The data collected was analysed using a regression model. The results obtained showed that parental leave have a positive and significant effect on the innovative performance of the micro and small -scale enterprises examined ( $\beta = 0.512$ ,  $t = 8.681$ , and  $P = 0.000$ ). Although, the significant relationship was weak ( $R^2 = 0.19$ ). It was therefore recommended that the government should make parental leave policy accessible to micro and small-scale business employees in Ondo State, and provide the necessary support structures to encourage the adoption of parental leave by small business owners and the employees and subsequently improve performance. Employers should look beyond the cost and use parental leave to elicit employee innovative performance.

**Keywords:** Innovation, Parental leave, performance, small businesses

## INTRODUCTION

Performance has continuously been a major challenge in today's organization because of the need to maintain competitiveness. Organisations accept divers group of people as workers in an attempt to improve their performance and increase their competitiveness. However, the heterogeneity of workforce has implication on both the organization and the employees. Since every individual is part of both the family and the society at large, some qualified and high-performance workers need the ability to choose to be both workers and parents simultaneously. As a result, work-interference with family or other aspects of life can affect the performance of both employees and the organisations as a whole (Orogbu et al, 2018). However, research indicated that the availability of the necessary support structures through family-friendly policies that include parental leave may be a win-win strategy for both the organization and the employees (Batel *et al* 2021; Maven, 2024).

Parental Leave, a policy that provides workers with paid time off while they care for newborn children can be compensated for by some or all of the parents when coupled with supportive work culture and conditions. Although the economic and health benefits for workers and their families have been documented in the literature (Rossin-Slater & Stearns, 2020), However, there exists no comprehensive review of their potential impacts on economic, social, and health outcomes in micro and small-scale enterprises. the lack of policy action in the micro and small-Scale enterprises reflects concerns about the potential adoption. Thus, empirical evidence on the impacts of parental leave on the organizational performance is necessary to inform the policy debate

Previous empirical research has shown that parental leave policy has significant impact on the performance of organizations. It is noticeable that such research was carried out mainly in big organisations who use the policy as a strategy to retain qualified employees for improved performance. There is still a paucity of literature to establish the adoption and effect of parental leave in the performance of micro and small business sector in Nigeria due to its peculiar nature. Most of the employees are also owners who make sole decisions on the business. Considering the contributions of micro and small-scale enterprises to the development of the Nations across the globe, particularly developing countries like Nigeria, the need to constantly improve performance in this important sector of the economy has raised a focal, question that this study aimed to answer. The objective of this study therefore is to investigate the impact of parental leave on the micro and small-scaled enterprises' performance.

## LITERATURE REVIEW

**Parental leave:** Parental leave is a policy that entitles parents to have time off work to look after their children newly born or adopted. The leave can be taken after an employee, spouse, or de facto partner gives birth or adopts a child under 16 years of age (Nandi *et al.*, 2018). The leave is usually approved as one continuous period of four to 6-months during which a parent can dedicate time and resources to caring and bonding with their newly born or adopted children. Parental leave entitlements include maternity leave (for biological, surrogates, or adoptive mothers), paternity and partner leave (for biological fathers that allows them to assist the infant's mother in recovery from childbirth and in establishing feeding and other routines), adoption leave, special maternity leave, and a safe job and no safe job leave.

Parental leave is considered a care measure that facilitates exclusive breastfeeding, a recommendation of the World Health Organization to provide optimal nutrition and antibodies for babies, and lowers the risk of depression and disease among mothers as well. Parental leave can safeguard family's health by allowing for recovery from the physical and emotional changes associated with childbearing (Vasnyte *et al.*, 2021). Many of the world's best education systems are found in countries that guarantee paid leave for new parents because they believe that providing high-quality education for all children starts before they arrive at school (Craw, 2020). According to Nandi *et al.* (2018), increase in paid parental leave were consistently associated with better infant and child health, and lower mortality rates.

The duration varies among countries and organisations. For instance, Estonia have up to one and half years of parental leave that either parent can use. Canada offers 15 weeks of maternity leave, after which parents can split 40 weeks of paid parental leave between them. Finland offers about a year of total paid leave for new parents and is increasing maternal and paternal leave to 6 months each. The United States guarantee 12 weeks of unpaid leave for mothers who work for businesses with more than 50 employees. In Singapore, mothers are allowed between 12 and 16 weeks at their full salary, while fathers are guaranteed two weeks of paid paternity leave. Paid leave from work for new parents, are standard across OECD countries. The female employees are the more beneficiaries of this leave-in Nigeria, with at least half pay, but usually, the customary benefits are more generous with maternity leave fully paid (Orogbu *et al.*, 2015).

**Organisational Innovative Performance:** Performance is a multi-component concept that can be judged by many depending on perception, values, and attitudes resulting in different interpretations in different contexts (Kenny, 2019; Pillay & Singh, 2018; Mahmudova & Kovács, 2018; Pradhan & Jenal, 2017). The multidimensional approach reflects the interests of different stakeholders based on a unique set of circumstances that define their own performance. Moreover, each organisation has its own objectives expressed either in broad or specific terms. Performance is a function of individual ability, skill, and effort in a given situation that involves taking a complex series of actions integrating skills, expertise, and knowledge to produce a valuable result. Nevertheless, Continuous performance remains the focus of any organisation because successful organisations play important roles as an engine in determining the economic, social, and political progress for developing nations (Dahkoul, 2018).

Gumel (2019) defined small business's success as the situation where a small firm operated for five or more years and maintained a reasonable profit. Researchers (Wolor *et al.*, 2020; Dahkoul, 2018; Pillay and Singh 2018) highlighted innovative performance outcomes to include; improved profits, improved bottom line,

improved productivity, employees' job satisfaction, improved revenue, and improved customer service. Performance will be operationalised here as the achievement of goals at the organisational level which could be influenced by such factors as physical work environment, standard operating procedures, knowledge, skills, and attitudes.

**Micro and Small-Scale Enterprises in Nigeria:** According to The Organisation for Economic Co-operation and Development (OECD) and Small business Facts Sheet (2018) an enterprise is an organisational unit producing goods or services, which benefits from a certain degree of autonomy in decision-making, especially for the allocation of its current resources. Firms that employ between 0-10 workers are categorised as micro, while those that engaged between 10 and 49 employees are classified as small-scale enterprises (OECD, 2015). Small businesses account for a greater percentage (99 %) of all businesses in virtually every economy generating about 66 percent of all net-new jobs thereby contributing to economic growth and social cohesion (OECD, 2019). Small businesses account for a greater percentage of all businesses in virtually every economy According to OECD (2019), SMEs account for 99% of all businesses generating about 66 percent of all net-new jobs thereby contributing to economic growth and social cohesion.

However, there are still fundamental issues or problems confronting MSMEs that resulted in their failure oftentimes. For instance, small businesses in Nigeria face the challenges of; managing between responsibilities in the home and in running a business, particularly for women (Babandi, 2017), socio-personal issues and managing relationships (Purvi-Pareek 2017), Pressures of ethical issues and inefficiency in the administration of incentives and support facilities provided by the government as a result of low capital investment and ownership structure that reflects round about a key man. Thus, the creation of appropriate support system and enabling environment are indispensable for the success of MSSEs in Nigeria

**Parental leave practices and organisational performance:** Peter and Kavitha (2019) examined the impact of Work-life balance on employee performance among middle-level managers in the IT Industry. They used stratified sampling to select respondents from a list of large IT companies (only public limited) in Chennai. They used scheduled questionnaires and interviews to gather data from 130 respondents. Inferential statistics were employed in analysing their data. The summary of their finding reveals that many employees in the 21st century see 'Work-life balance policies'- as a critical factor for selecting the companies, and their conclusions are pretty logical that it is easier to find a new job than finding a new one spouse or a family.

Bartel et al (2021) designed and fielded a survey of small firms in New York and Pennsylvania to study the impacts of New York's 2018 Paid Family Leave policy on employer outcomes. They match each NY firm to a comparable PA firm and use difference-in-difference models to analyze within-match-pair changes in outcomes. Contrary to common concerns about the burdens of PFL on employers, they find no evidence that PFL had any adverse impacts on employer ratings of employee performance in terms of attendance, commitment, cooperation, productivity, and teamwork. Instead, they observe an improvement in employers' rating of their ease of handling long employee absences, concentrated in the first policy year. They also find an increase in employee leave-taking in the second policy year, driven by the smallest firms in our study.

Brenoe (2021) studied the Impact of parental leave on companies using detailed administrative data on Danish companies and workers for the period 2001 to 2013. The findings showed that the costs of parental leave are negligible both for companies and co-workers.

Begall (2022) studied Supplemental family leave provision and employee performance: Disentangling availability and use. They used European multilevel organization-data on 11,011 employees in 869 departments or teams, and 259 organizations. The finding showed that availability of supplemental family leave relates positively to employees' performance, partially by increasing organizational commitment

Ayankoya and Goddy (2023) studied Employee Welfare and Organisational Performance: A Study of Maternity leave Policy Covenant University, Nigeria. They used both primary and secondary data collected using literature search, questionnaire, and interview. Data gathered were analysed using frequency, percentage, and correlation analysis. Their research revealed that maternity leave policy has a statistically significant weak

and positive relationship with organisational performance, and an increase in maternity leave policy will lead to a low increase in organisational performance.

## METHODOLOGY

This research adopted a quantitative technique that follows several logical and distinct steps to test the stated hypothesis and make predictions. In this study, parental leave was hypothesized to have significant effect on the innovative performance of micro and small-scale enterprises in Ondo State, Nigeria. Both primary and secondary data were used in this study. The primary source involved the use of structured questionnaire to collect data from the respondents. The secondary data was sourced from the internet, books and journals. The study population consisted of existing formal and informal micro and small businesses with various economic activities located across Ondo State of Nigeria. The study frame includes both micro and small business owners with or without employees, managers, and employees. In this study, firms that employ between 0-10 workers are categorised as micro, while those that engaged between 10 and 49 employees are classified as small-scale enterprises (OECD, 2015).

Multistage sampling was used in this study to select three Local government headquarters (Akure, Ikare, and Ore), trade and distribution sector, and 324 respondents that formed the sample size. The sample size used in this study was derived using the z-score of 1.96 for 95% confidence interval, and a 4.4% margin of error, a p-value of 0.5 was used (White, 2018)

$$n = \frac{z^2 p(1-p)}{d^2}$$

Regression analyses was used to achieve the objective. The level of confidence for the hypothesis was 0.05. The Regression model is  $P = \beta_0 + b PL + \mu$

Where

P= Performance

$\beta_0$  = constant

b =beta coefficient

$\mu$  = error term.

PL =Parental leave

## RESULTS AND DISCUSSION

Table 1: Descriptive and Correlation Analyses on Parental Leave

. Descriptive Statistics			
	Mean	Std. Deviation	N
IP			
PL	3.6111	.64316	324
Correlations			
		IP	PL
Pearson Correlation	IP	1.000	.435

	PL	.435	1.000
Sig. (1-tailed)	IP	.	.000
	PL	.000	.
N	IP	324	324
	PL	324	324

Source: Regression Output (2024)

Table 2: Regression results of Parental Leave on Performance

Goodness of fit	Test Statistics		p-value
R	0.435		
R-squared	0.190		
Adjusted R-squared	0.1870		
F-value	75.359		0.0000
Dependent Variable =Performance of MSSE			
	coefficients	t-statistics	p-value
PL	0.512	8.681	0.0000
Constant	2.031	9.391	0.0000
Note: ** statistically significant at 5%			

Source: Regression Output (2024)

Descriptive and Correlation statistics for parental leave measured as shown in Table 1 revealed an overall mean score of 3.6111 (SD= 0.6516). Parental leave has a Pearson Correlation Coefficient of 0.435 with innovative performance indicating that parental leave has a 43.5% ability to predict the changes that brought about the innovative performance of micro and small-scale enterprises in Ondo State. The relationship was positive and statistically significant, Sig= 0.000. R<sup>2</sup> of 0.190 showed that only 19% of innovative performance can be accounted for by Parental leave. Other variables that are still unknown accounted for the rest 81% of the innovative performance of micro and small-scale enterprises in Ondo state. The model showed that parental leave was statistically significant at  $\beta = 0.512$ ,  $t = 8.681$ , and  $P=0.000$ . Consequently, the null hypothesis was rejected while the alternate hypothesis was accepted.

Although, the relationship is weak (R<sup>2</sup> =0.190), a possible explanation may be the fact that parental leave in micro and small organisations are not formally but individually negotiated because most of the managers and employees are also owners who are mindful of the cost associated with the replacement of employees on parental leave. The fear of losing customers and financial health of the organization may also be responsible for non-willingness to go on or approve parental leave for new parents. However, properly managed leave policy in the small-scale business can boost their performances and increase their competitive advantage. Employees who enjoy parental leave have the potential to contribute meaningfully to the organizational development.

The findings of this study support the studies of Begall, (2022) and Ayankoya and Goddy (2023) whose findings showed that maternity leave has a weak and positive relationship with organisational performance. Leave policy motivates employees' ability to deliver services efficiently and effectively and the availability of supplemental family leave relates positively to employees' performance, partially by increasing organizational commitment.

## CONCLUSION AND RECOMMENDATIONS

Increased competition in the world of business has forced the organizations to generate and retain any competitive advantage that is vital for their survival. Organizations are increasingly realising the value of human resource as one of the important sources of competitive advantage through their performance. Thus, organizations always try to enhance their innovative performance by finding out the factors that contribute positively in enhancing employees' performance. This current study explored such factors and found that parental leave can contribute positively to the innovative performance of organisations

The findings of this study contain several important policy implications that can be drawn for effective and efficient management of human capital in micro and small-scale enterprises in Nigeria. According to the results and discussion, the empirical evidence provided in this study showed that parental leave had a significantly positive although weak relationship with innovative performance of micro and small-scale enterprises examined with the ability to predict 19% of organizational innovative performance in Ondo State, Nigeria. The study highlights the importance and positive contribution of parental leave to micro and small-scale business examined

Apart from contributing to the existing studies on the possibility of adopting parental leave by micro and small-scale businesses, the inherent potentials and wide range of benefits were unearthed to further establish the fact that parental leave is not only for large or corporate organizations but also extended to micro and small-scale businesses. This study provided information to supplement existing ones that have generally not included micro and small-scale enterprises. Thus, this finding represents a new and important contribution to the field of management.

This study recommends that Stakeholders should see beyond the cost of approving parental leave for employees in the micro and small-scale business sector and focus on developing the necessary competencies in it's management to enhance performance in the micro and small-scale enterprises. Managers can use parental leave to motivate and retain qualified employees to enhance their performance and attain their organizational goals. Researchers and academicians can utilize this study's findings to test their hypothesis, or to enhance further research, particularly in the area of employee performance and parental leave.

However, additional research is still needed on the implementation of parental leave policy in the small business arena in Nigeria. The sample size for this study is small as only 324 respondents are involved, such study can be conducted on a large sample to obtain more reliable results Moreover, studies of this kind should be carried out in other regions of Africa to aid the generalizability of the findings of this study because this study was carried out in Ondo State, Nigeria.

**Conflict of interest: I hereby declared that there is no conflict of interest.**

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