

2020 Research Paper Competition

*(How) Do Risky Perks Benefit Firms? The Case of Unlimited Vacation*

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This paper addresses the recent trend of offering unlimited vacation to employees.

Does unlimited vacation actually benefit firms? If so, how? And what are the contingencies based on organizational conditions? In three empirical settings using text analysis, difference-in-differences design, and randomized controlled experiments, I find that the perk leads to more vacation time, higher subjective productivity, and higher overall labor efficiency (through the recruitment, performance, and engagement channels). The gains are most pronounced in teams with strong interpersonal relationships, when there is a strong firing threat, and when the perk is bundled with other performance-oriented practices.