Lingnan University 嶺南大學 香港 Hong Kong

Faculty of Business 嶺南大學商學院

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From Healthcare to Clean Air: How Employee Benefit Mandates Yield Environmental Dividends

ABSTRACT

We study whether exogenous increases in health benefit related labor costs spur polluting firms to internalize environmental externalities during ongoing operations. Using the staggered adoption of state-level dependent care mandates from 1990 to 2011, we estimate that regulated establishments reduce toxic emissions by 16%–21% relative to unaffected plants. The effect is realized through larger abatement outlays and cleaner process innovations and is strongest where capital-market scrutiny lowers firms' cost of capital after environmental improvements. These findings reveal a novel labor cost channel through which private financial incentives can mitigate a classic public goods problem, linking corporate factor cost shocks to environmental gains.

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Michael Zheng is an Assistant Professor of Finance at Missouri State University's College of Business. He holds a PhD in Finance from Texas Tech University, an MS in Applied Economics from the University of Minnesota – Twin Cities, and a BBS from the University of Oklahoma. His research interests span labor finance, household finance, and sustainability.

Before transitioning to academia, Dr. Zheng gained extensive industry experience, working at leading financial institutions such as Morgan Stanley, S&P Capital IQ, Hina Group, and The World Bank. His blend of academic rigor and real-world expertise informs his research and teaching in finance.

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