An Anglo-German Foundation Report

Work–life balance, management practices and productivity

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Executive Summary

As unemployment in the UK has fallen to historically low levels, policy and media attention has focused more on the quality of work rather than just the quantity of jobs. This focus has sharpened as female workforce participation has steadily increased and issues of work–life balance (WLB) and family-friendly policies have risen up on the political agenda. Many of these debates have focused around the important issue of equity at work. However, what are the economic effects of changing WLB practices and how do they relate to firm productivity and management more generally?

To dig deeper into this puzzle we crudely characterise two opposing views on WLB-enhancing practices – the "*trade off*" theory and the "*win–win*" theory. The *trade off* theory argues that Anglo-Saxon "neo-liberalism" encapsulated by tougher product market competition and globalisation has undesirable consequences. Although these forces will raise productivity, they come at the expense of misery for workers in the form of poor WLB (long hours, job insecurity, intense and unsatisfying work). The *win–win* theory in contrast argues that better WLB will improve productivity; and employers are making the mistake of failing to treat their workers as assets by implementing better WLB policies. The present UK government is closer to the *win–win* view and has introduced more generous provisions for maternity and paternity leave, for example.

In our study, we find that France and the US are on the extreme ends of the spectrum in many dimensions, with the UK and Germany occupying a middle ground. For example, French managers work about 32 percent hours less per year than managers in US firms, and **German and UK managers respectively work 16 and 18 per cent less than US managers.** Similarly, the ratio of female managers to overall female employees is 87 per cent in the US, 48 per cent in France, and about 70 per cent in the UK and Germany. This suggests that "Glass ceiling" or self-selection effects are least important in the US while **female managers are still underrepresented in the UK and Germany**.

We find evidence for a hybrid view between the trade off and the win–win views. Using originally collected data on WLB measures and management practices on over 700 firms in Europe and the US, we first find that the *trade off* hypothesis is not supported by the data – **there is a positive association between overall management quality and work–life balance**. That is, better-managed firms provide a better WLB for their employees. However, the *win–win* view that WLB will improve productivity also receives little empirical support: **there is no systematic relationship between productivity and WLB** once good management is accounted for.

The hypothesis that competition and globalisation are bad for workers' WLB also receives little support: **there is no relationship between product market competition and work–life balance. In addition, larger firms typically have better WLB practices.** Finally, the impact of multinational firms on domestic well-being has two dimensions: **On average, US multinationals in Europe are as well-managed as their US parents, leading to higher productivity, while they adopt the (nicer) work–life balance practices of their host countries.**

In summary, we find support for a "hybrid" theory where "good management" and work–life balance are neither straightforward substitutes for each other nor strictly complementary. If firms do introduce better WLB this neither penalises them in terms of productivity (as suggested by the *trade off* theory), nor does it significantly reward them (as claimed by the *win–win* view). On average, they are neutral.

This may suggest that improving WLB is socially desirable – workers obviously like it and firm productivity does not suffer. However, our results do not give a green light for policy-makers to regulate more WLB. Even if *productivity* does not fall, WLB is costly to implement and maintain, and may result in significantly lower *profitability*. **Crucially however, firms and policymakers should not expect a "free" knock-on effect on firm productivity when introducing WLB practices, but neither should they use a potential decrease in productivity as excuse not to introduce them.**

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Notes to the editor:

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