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in brief...

Work-life balance: the links with management practices and productivity

Does good management and higher productivity come at the expense of work-life balance? Or is good work-life balance an important component of the management of successful firms? New research by **Nick Bloom, Tobias Kretschmer and John Van Reenen** finds evidence for a hybrid view between these two polar extremes.

Companies that are bigger, more globalised and better managed provide a better work-life balance for their employees, according to the evidence of our research. What's more, tough product market competition improves management practices but without any detrimental impact on work-life balance.

At the same time, we find no evidence that firms with good practices on work-life balance – shorter hours, flexible working, family-friendly policies, etc. – have higher productivity once we control for better management in general.

Our study uses an innovative survey tool on over 700 manufacturing firms in France, Germany, the UK and the United States to ask questions about management practices and work-life balance. We find that:

- Well-managed firms do not work 'harder' but 'smarter' – employees in well-run firms typically have a better work-life balance.
- In particular, management practices associated with good 'people management' – such as fostering talent, rewarding and retaining well performing staff and providing consistent training opportunities – are likely to work in conjunction with good work-life balance practices – family-friendly policies, flexible working, shorter hours, more holidays, childcare subsidies, etc.
- In well-managed firms, the hours worked by both

managerial and non-managerial staff are not significantly higher than those in badly run firms. This again confirms the finding that working smarter not harder is the key determinant to successful management.

- The share of women in management relative to non-management is significantly higher in firms with better work-life balance. In other words, the 'glass ceiling' does not seem to exist nearly as strongly in firms that treat their employees well.

We describe two opposing views on the effects and efficacy of good management practices on work-life balance – the pessimistic 'trade-off' view and the optimistic 'win-win' view:

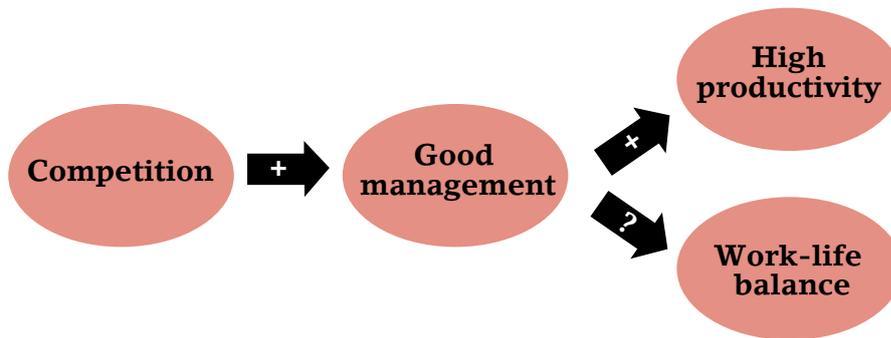
- The trade-off view is that 'Anglo-Saxon neo-liberalism', encapsulated by tougher product market competition and globalisation has undesirable consequences. Although these forces raise productivity, they come at the expense of misery for workers in the form of long hours, job insecurity and intense and unsatisfying work.
- The win-win view argues that better work-life balance will improve productivity and employers are mistakenly failing to treat their workers as assets and implement better work-life balance practices.

This study finds evidence for a hybrid view between these two polar extremes (see Figure 1 and Table 1):

- The evidence does not support the trade-off view: there is, in fact, a positive association between good management and work-life balance. Similarly, the view that competition and globalisation are bad for work-life balance is not supported: there is no relationship

Employees in larger, more globalised firms seem to be much better off in terms of their working lives

Figure 1:
Hybrid view of competition, management and work-life balance



Good work-life balance seems to be something that well-run firms in competitive markets do naturally

Table 1:
Correlations predicted by the different theories

Correlation of work-life balance and:	Trade-off	Theories	
		Win-Win	Hybrid
Competition	Negative	Ambiguous	Ambiguous
Management	Negative	Positive	Ambiguous
Productivity	Negative	Positive	Zero

between tougher competition and work-life balance. And larger firms – which are typically more globalised – also have better work-life balance practices.

- But the win-win view that better work-life balance will improve productivity is also rejected: there is no relationship between productivity and work-life balance once good management is accounted for.
- Instead, well-managed firms can choose to introduce better work-life balance practices or not. If they do introduce them, this neither penalises them in terms of productivity nor does it significantly reward them.

Based on these results, it simply is not true that globalisation is such a disaster for employees. Employees in larger, more globalised firms seem to be much better off in terms of their working lives than those in smaller, more national firms.

This conclusion suggests that improving work-life balance is socially desirable – workers obviously like it and firm productivity does not suffer. For firms, this will be worth

weighing up more seriously. Most of the best-run firms in our sample treated their employees very well.

But we also need to be cautious before inferring that the results give a *carte blanche* for governments to regulate for better work-life balance. Good work-life balance seems to be something that well-run firms in competitive markets do naturally. They need to treat their employees well to keep them – if not, their competitors will hire them away. Government policies on work-life balance should take this into account.

This article summarises 'Work-Life Balance, Management Practices and Productivity' by Nick Bloom, Tobias Kretschmer and John Van Reenen (http://cep.lse.ac.uk/management/worklifebalance_research.pdf).

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