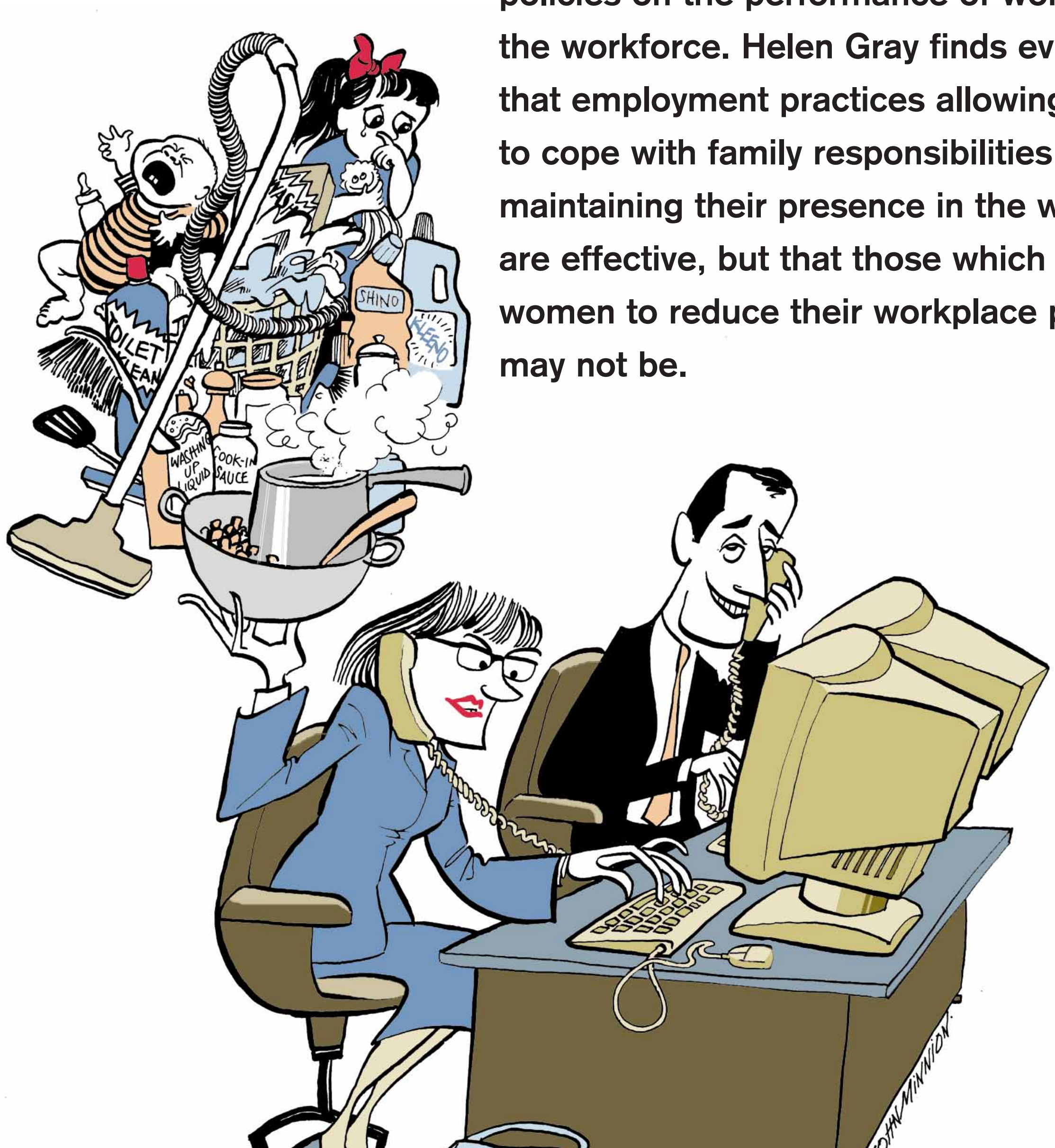
It pays to be

For the first time it is possible to estimate the effect of "family-friendly" management policies on the performance of women in the workforce. Helen Gray finds evidence that employment practices allowing women to cope with family responsibilities while maintaining their presence in the workplace are effective, but that those which enable women to reduce their workplace profile may not be.



by Helen Gray

family-friendly

2000 was the first year when girls outperformed boys at both GCSE and A-level. This pattern was repeated in 2001. The most recently available information on university degrees shows that, in 2000, 54% of women obtained either a first or upper second class degree, compared with 47% of men. At the other end of the spectrum, 18% of male undergraduates received third class or pass degrees, compared with 13% women.

The fact that women now outperform men in gaining academic qualifications leads naturally to the possibility that they may also outperform them in the workplace. However, so long as women continue to bear the main family responsibilities, or face discrimination in the workplace, the performance benefits from having a better-educated female workforce may be lost. For women, the dual burden of paid and unpaid work may convince them to leave paid work, or to work shorter paid hours. Over the longer term, this would mean that women were less likely to move into better jobs.

While there is some evidence that men now undertake a greater share of unpaid work, the 1995 British Household Panel Survey found that, where a husband and wife were both in full-time employment, the woman did nine hours a week more housework, not including childcare. For this reason, policies aimed at reducing the disadvantage that women experience in the workplace due to their responsibilities outside work might be expected to have a positive impact on performance. To date, however, there has been little research on the links between family-friendly policies and workplace performance.

At last we have some data. The Department of Trade and Industry's 1998 Workplace Employee Relations Survey (WERS98) provides information on the performance of individual workplaces and about the use of particular family-friendly practices, plus other factors likely to affect establishment performance. This means that for the first time it is possible to consider the relationship between family-friendly policies and performance using a large, nationally representative dataset, thus providing a useful complement to previous case study work. This case study evidence already suggested that certain family-friendly practices are associated with enhanced performance, but left open the question whether family-friendly policies have different outcomes in workplaces with different characteristics. Clearly, generalisations cannot be made from single cases, but evidence from a survey covering a wide range of industrial sectors and establishment sizes, such as WERS98, is able to inform this debate.

Table 1 shows that there is a big difference between the public and private sectors in terms of the availability of family-friendly policies, with the incidence of all the policies under examination here being much higher in the public sector than the private.

In addition, the table shows that there is no uniform pattern to the ratio of the incidence of individual family-friendly policies between the public and private sectors. For example, having a workplace nursery is almost six times as common in the public sector as in the private sector, while paid time-off for childcare is only one and a half times more common in the public sector. As the two sectors differ so greatly in this way, they need to be treated separately in any

Table 1 Incidence of Family-Friendly Policies in the Public and Private Sectors

	Proportion of workplaces with practice		**Ratio of public sector incidence to private sector incidence**
	Private sector	Public sector	
Parental leave	25.7	61.1	2.4
Working from home	9.9	20.9	2.1
Term-time only working	9.3	34.8	3.7
Switching from full-time to part-time employment	39.3	65.3	1.7
Job-sharing	16.4	64.6	3.9
Workplace nursery	1.5	8.8	5.9
Financial help with childcare	3.0	6.6	2.2
Paternity leave	22.6	66.7	3.0
Paid time-off for childcare at short-notice	52.6	78.5	1.5
Flexi-time	13.0	32.4	2.5
9-day fortnight	2.2	4.2	1.9

A workplace nursery is almost six times as common in the public sector as in the private sector.

analysis. Here the focus is on the private sector, due to its greater share of employment in the economy as a whole.

The issue of how performance is measured is a controversial one. Rather than ask for information on absolute levels of performance, such as profits, the WERS98 management questionnaire asked managers to rate the financial performance, labour productivity and quality of their product or service relative to the average. As might be expected, there is a tendency for managers to rate the performance of their workplace as above average. Despite this, there is evidence that managers do assess performance reasonably accurately. For example, workplaces where lower levels of performance were reported in the 1984 WERS were more likely than average to have closed down by 1990.

Managers were also asked whether labour productivity (and labour costs relative to other costs) had gone up or down, compared with five years previously, and whether there had been a change in how hard employees worked over the same period. The management questionnaire also produced data on the number of voluntary resignations and the proportion of working days lost through sickness or unauthorised absence over the previous twelve months.

Analysis of this data suggests that, allowing for the effects of specific workplace characteristics, the majority of the individual family-friendly policies examined are associated with a greater likelihood that a workplace has above average performance. However, there are a few instances of the opposite. Given that all family-friendly policies are not associated with better performance, the question is whether on average we can expect workplaces that offer the full range of family-friendly policies to perform better than those with no such policies. It is possible to address this question by calculating the probability of a workplace having above average performance for different sets of workplace characteristics. Table 2 shows that 59% of managers in workplaces with typical characteristics report above average financial performance, compared with 97% in workplaces with the full range of family-friendly policies and only 55% in workplaces with no family-friendly policies.

The results give a strong indication that workplaces which offer the full range of family-friendly policies perform better than those that do not offer any such policies, with the typical workplace lying somewhere between the two extremes, although closer to the workplace with no family-friendly policies than to one with the full range. Employers offering family-friendly policies are better able to retain staff, have an absenteeism rate of less than 1% (compared with a national average closer to 3%) and experience above average financial performance. Labour turnover is nine times higher in workplaces without family-friendly policies. These workplaces are also less likely to have experienced increases in employee work effort, or to have been able to cut labour costs relative to other costs.

The fact that the WERS98 data is cross-sectional means that we do not know when the family-friendly policies were introduced and whether performance has changed in response to the introduction of a policy. It is possible that workplaces with better performance might be more likely to introduce family-friendly policies, as they can afford to do so, meaning that better performance leads to the introduction of family-friendly policies rather than vice versa. However, whilst an establishment with good performance may be able to afford such policies, it also has less incentive to take action than a workplace experiencing difficulties. In addition, the introduction of family-friendly policies could create dissatisfaction amongst employees without families. In an already successful firm, it would seem that there are more attractive options for rewarding employees. For example, the employer could award higher than average pay, or provide benefits available to all, rather than just to those with families.

The question still remains why certain policies are negatively associated with particular performance measures. Just as part-time working can reduce career prospects, it is possible that certain family-friendly policies have a negative effect on the careers of women employees by affecting their work-related motivation over the long term. Demotivation could result, if the use of a particular policy causes an employee to be seen as less suitable for promotion, resulting in talent being lost to the firm through a higher resignation rate or a failure to maximise labour productivity. hours, while reducing the potential conflict with family life,

Table 2 Benchmarking for Workplaces with All or No Family-Friendly Policies

	Typical workplace	All family-friendly policies	No family-friendly policies
Financial performance	0.59	0.97	0.55
Labour productivity	0.47	0.44	0.43
Increase in labour productivity	0.81	1.00	0.68
Employees work harder than 5 years ago	0.80	1.00	0.69
Quality of product or service	0.82	0.99	0.74
Relative labour costs fallen	0.05	0.26	0.04
Quit rate	15.0	1.9	17.1
Absenteeism rate	2.6	0.7	2.5

It is possible that certain family-friendly policies have a negative effect on the careers of women.

Table 3 Benchmarking Comparison Based on the Possible Career Impact of Family-Friendly Policies

	Financial help with childcare, workplace nursery, flexi-time, 9-day fortnight	Job-sharing, switching to part-time employment, home working, term-time only contracts
Financial performance	0.95	0.45
Labour productivity	0.49	0.26
Increase in labour productivity	1.00	0.83
Employees work harder than 5 years ago	0.98	0.90
Quality of product or service	0.98	0.76
Relative labour costs fallen	0.14	0.21
Quit rate	1.46	19.9
Absenteeism rate	1.1	2.2

are perhaps more likely to ensure that employees with families compete on an equal basis with their colleagues than policies which reduce their visible presence in the workplace, such as working from home, term-time only contracts, part-time work and job-sharing.

To test this hypothesis, I consider the relationship between performance and each of the two sets of family-friendly policies outlined above. Table 3 suggests that the policies thought most likely to allow employees with families to develop their careers are more closely associated with better performance than those based on offering reduced hours or reduced-visibility work. The only exception is with the change in relative labour costs.

Only 14% of workplaces with the first set of family-friendly policies are likely to have experienced a fall in relative labour costs, compared with 21% of workplaces with the "reduced visibility" policies. This suggests that the policies considered less disadvantageous in terms of career prospects impose higher labour costs on the firm. However, financial performance and labour productivity in workplaces which offer a workplace nursery, financial help with child-care, flexi-time and 9-day fortnights are twice as likely to be reported as bring above-average, compared with those for workplaces which offer job-sharing, switching from full-time to part-time employment, home working and term-time only working. The quit rate is much lower where the career-oriented policies are on offer and the absenteeism rate is also relatively low. This suggests that, even if labour costs are more likely to rise relative to other costs where these policies are offered, there are many other performance benefits for the workplace which are likely to outweigh the increase in costs.

There is also strong evidence, when controlling for a wide range of workplace characteristics, to suggest that family-friendly policies are associated with superior performance. However, it seems that there is a distinction between policies that concentrate on allowing employees to manage their work and family lives while reducing their visibility in the workplace and those which are more likely to enable employees to develop their careers over the long term. This distinction is not just manifested in terms of the ability of employees to further their careers. There is evidence that workplaces in the first category experience lower levels of performance.

Even more strikingly, it seems that financial performance and labour productivity are more likely to be above average (and the quit rate lower) in workplaces where no family-friendly policies are available than in those that offer the reduced-hours or reduced-visibility options. This implies that organisations seeking to further the interests of employees, such as the Equal Opportunities Commission or trade unions, can present a stronger business case for family-friendly policies that do not reduce the visibility of employees in the workplace. There is also the additional bonus that these policies may ultimately also result on greater equity than policies associated with lower levels of performance for the employer.

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