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OVERVIEWS & BRIEFS

International Perspectives on Organizational Performance, A Sloan Work and Family Encyclopedia Entry

Type: Overview

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Introduction

This entry examines the effect of work-family policies and practices on organizational performance, demonstrating that work-family policies and practices have different meanings and effects on organizational performance across countries. This entry draws on Eileen Appelbaum, Thomas Bailey, Peter Berg, and Arne L. Kalleberg. (forthcoming). Organizations and the Intersection of Work and Family: A Comparative Perspective, in the *The Oxford Handbook of Work and Organizations*. Steve Ackroyd, Paul Thompson, Pamela Tolbert and Rosemary Batt (eds.), Oxford: Oxford University Press

Basic Concepts & Definitions

Work-Family Policies and Practices

Work-family policies and practices can be divided into two broad categories: care-giver replacement and flexible scheduling.

1. Care-giver Replacement

Care-giver replacement practices enable workers to focus on work while they are on the job by helping them take care of the home activities, such as caring for children or maintaining a household, that would otherwise have been done by a full-time caregiver or homemaker. These practices include on-site or subsidized childcare, elder care support, and concierge-type services such as laundry pick up, shopping, or errands. For employees, these practices reduce the cost of child or elder care or the time and effort needed to maintain the household. For organizations, care-giver replacement practices function as traditional fringe benefits in that they do not require the company to change its work schedules, production processes, or supervisory structure. However, these practices impose a financial cost on employers. For example, providing on-site child-care is extremely expensive and tends to serve only a limited number of employees (Glass and Estes, 1997; Eler, 2000). Yet, providing on-site child-care or child and elder care subsidies sends a signal to employees that the company is a caring company that is concerned about work-family balance. This is consistent with research findings that show the benefits to organizations of care-giver replacement practices appear to be greatest for recruitment and retention and less significant for productivity related factors such as absenteeism (Kossek and Nichol, 1992; Glass and Estes, 1997).

The provision of child-care services across countries falls into two categories: private market solutions and state subsidized child-care. Countries that rely on private market solutions include

the United States, Japan, the United Kingdom, Canada, and Australia. Parents who work for pay make arrangements with relatives to care for their children or purchase child-care services in the private market. Child-care subsidies from the state are generally available only to the very poor. This reliance on private market solutions to child-care puts the burden on individuals to cover the cost of care and organizations to offer child-care services or subsidies as a benefit to employees. However, in the United States, less than 10 percent of employers with more than 100 employees provide child-care at or near the worksite or provide financial support for the child-care needs of employees (Markel, 2002). Thus, in private market solution countries, income and wealth determine the quality of care. In contrast, such countries as Sweden, Norway, Finland, Belgium, and France provide public subsidies for child-care (OECD, 2001). This policy provides more uniform access to quality child-care across income levels than private market child-care solutions. This policy is often driven by concerns about declining population and the need to encourage births and women in the workforce. For example, Sweden is widely known for providing publicly subsidized child-care centers available to all families without income constraints. This public approach to child-care is credited with increasing female participation in the Swedish labor force (Haas and Hwang, 2000).

2. Flexible Scheduling

Flexible work hour arrangements are designed to help employees adjust their work hours and activities to take care of their family and home responsibilities as well as provide employers with flexibility. They include telecommuting, flextime, adjustment of hours (increasing or reducing hours in current job), having workers select their own schedules, job sharing, paid family and medical leaves, and working time accounts that allow employees to bank overtime hours and use those hours as paid time off. These practices impose costs on organizations by requiring changes in the organization of work or the role of supervisors and managers in coordinating the work process. These costs have usually not been carefully specified or measured in studies of the effects of work-family policies (Beinecke, 1994; Glass and Estes, 1997; Brannen and Lewis, 2000). Supervisors play a key role in implementing these practices, since they have responsibility for scheduling workers and coordinating production and services. Moreover, because of the wide impacts on the internal operations of the firm that such practices can have, and because they may challenge company culture and a tradition, flexible scheduling practices are rarely sustainable without the involvement and support of high-ranking executives. The benefits organizations may receive from flexible scheduling practices include a more efficient use of labor hours, greater employee effort and satisfaction because scheduling preferences are met and time away from work can reenergize employees.

Flexible scheduling practices vary across countries. Many west European countries are reducing work hours and increasing variability in the work schedule through averaging the hours over several months. France and Germany have reduced the average work week in many sectors. European Labor unions have been instrumental, particularly in Germany, the Netherlands, and Sweden, in negotiating reductions in working time, often as a trade-off for increased job security (Berg et al., forthcoming). In contrast, working time has not been reduced in the United States through collective agreement or legislatively. Flexible scheduling is achieved through flextime practices that affect only a small portion of the overall workforce. Japan has experienced a reduction in total work hours but this is due more to cyclical reasons rather than workplace policies and practices. Australia has also not pursued a reduction in work hours and instead has experienced dramatic increases in casual work, i.e. part-time work without benefits (Berg et al., forthcoming).

Public policy has also played an important role in determining working time benefits across countries. In Europe, paid parental leave and vacation time are more extensive compared with the United States, Australia, or New Zealand (OECD, 2001). The European Union (EU) mandates at least four weeks vacation for employees across its member countries. Moreover, EU directive on part-time work requires the equal treatment of part-time and full-time workers. This policy ensures that part-time workers receive the same opportunities for training and wages and benefits pro-rated by time worked.

Organizational Performance Outcomes

The effect of work-family policies and practices on organizational performance outcomes across countries fall into three categories: recruitment and retention of employees, increased individual productivity, and greater process efficiency.

1. Recruitment and Retention

Organizations adopt work-family practices to recruit and retain superior employees. This is often measured in case studies or surveys directly through turnover rates. See: (Kossek and Nichol, 1992); (Christensen and Staines, 1990); (Aryee et al., 1998). Recruitment and retention are expected to be particularly important motivations for firms to adopt such policies in occupations involving high skilled professionals where labor markets are tight. Also, work-family policies are typically viewed as key to attracting and retaining women employees. Although Aryee, Luk, and Stone (1998) found that gender did not moderate the influence of family-responsive variables on retention-relevant outcomes.

2. Individual Productivity

Individual productivity is rarely measured directly but rather inferred from changes in employee attitudes and behaviors, such as organizational commitment, organizational citizenship behavior, and job satisfaction. See: (Grover and Crooker, 1995); (Lambert, 2000); (Hill et al., 1998). Work-family policies, such as assistance with child or elder care placements or fees, may enable employees to find good quality care and to focus their attention on their jobs during working hours, thereby maximizing the amount and quality of their effort. Workers who are preoccupied with family issues or are on the phone arranging child-care or dealing with more mundane chores, such as car repair appointments, are not concentrating fully on their work. Parents may have to miss work on very short (or no) notice when their children are ill or have other types of problems, or may worry about leaving a sick child alone at home (Fernandez, 1986; Fernandez, 1990). Policies that assist employees with child-care or that provide emergency back-up care when children are sick or child-care arrangements break down are expected to increase employee productivity and reduce employee absences.

3. Process Efficiency

Organizations also adopt flexible scheduling arrangements to enhance process efficiency. Process efficiency is increased when employers are able to match demand for the organization's products or services to the hours that people work, thus allowing for variations in work intensity over the course of the day. This matching takes the form of flexible scheduling, reducing work hours, or averaging the workweek over a reference period of several months. I am not aware of empirical studies of process efficiency. However, Bosch (2000) suggests that organizations that adopt policies that increase employee control over work time are sometimes able to enhance process efficiency as a result. Furthermore the action research of Rapoport and Baily (1996) and Rapoport et al. (2002) demonstrates that it is possible to increase gender equity within firms as well as organizational effectiveness. Other case study research shows that the potential for improvement in process efficiency results from the employer's own needs for flexibility, usually due to variations in work intensity over the course of the day or week, as employers seek to match demand for the organization's products or services to the hours that people work (Lewis, 2000). Companies expect this improvement in the ability to adapt labor input to demand to improve capital utilization and raise sales revenue (Golden, 1996). This matching takes the form of flexible scheduling or reducing work hours for employees without reducing hourly pay or benefits.

Importance of Topic to Work-Family Studies

Work-family policies and practices differ across countries. In some countries with declining populations, public policy has encouraged greater flexibility in work practices in an effort to increase female labor force participation. Most notably in Europe and Japan, these efforts include flextime, paid parental leave, the expansion of part-time work, and shorter weekly working hours. In contrast, countries such as the United States, Canada, and Australia have been less active in the public policy arena and instead have left it to companies to implement work-family policies. These different approaches highlight the importance of context when examining the effect of work-family policies on organizational performance. Understanding the range of work-family policies internationally and the different ways they impact organizations will help expand the work-family literature (Appelbaum et al., forthcoming).

State of the Body of Knowledge

Three theoretical perspectives inform analyses of firms' work-family practices. The rational choice perspective argues that employers will adopt family-friendly policies beyond what is legally required of them if the benefits of doing so exceed the costs. Efficiency considerations, in this view, dictate

whether firms implement or reject such policies (Meyer et al., 2001). Efficiency arguments explain adoption of practices in terms of a cost-benefit calculus (Perry-Jenkins et al., 2000). Some benefits of work-family policies can be calculated in a rather straightforward manner, for example the reduction in costs associated with absenteeism, lateness, or turnover.

This perspective includes social exchange theory, which Konrad and Mangel (2000) use to argue that work-life initiatives can increase employee effort despite the fact that they are not tailored to individual employee contributions. Where mutual trust and commitment are present, firms that provide valuable benefits to employees as a group may obtain, in exchange, an increase in overall effort by these employees on the job as well as ideas and effort from employees that go beyond assigned responsibilities (Akerlof, 1982; Osterman, 1995; Tsui et al., 1997; Lambert, 2000). In particular, Tsui, Pearce, Porter and Tripoli (1997) demonstrate empirically that, when rewards go beyond monetary compensation and include organizational concern for career advancement and the well being of employees, performance is high on both assigned job responsibilities and overall effort beyond what is required.

The second theoretical perspective focuses on institutional theory and on the professionalism and values of human resource managers as explanations for firms' adoption of family-friendly policies. Institutional theory emphasizes the institutional pressures that influence organizations to respond similarly to their environments (DiMaggio and Powell, 1983). These may arise as a result of social pressures or in response to professional norms (the practices HR professionals believe should be adopted). In this view, organizations adopt various innovative practices for reasons other than the need to improve economic efficiency, e.g., to enhance reputation, and may not necessarily adopt the human resource practices that make the most sense for their firm (Snell, 1992; Kossek et al., 1994). There is some evidence to suggest that once certain workplace policies have become widely established in a particular organizational field, other organizations will come under institutional pressures to respond similarly to their environment (Goodstein, 1994; Kossek, Dass et al., 1994; Glass and Estes, 1997). Osterman's (1995) finding that the presence of an HR department increases the number of work-life policies and Goodstein's (1994) result that diffusion of family-friendly practices among an industry group leads other firms in that group to adopt the practice both provide support for this view.

The third perspective emphasizes the role of government in the human resource function. Essentially, firms adopt work-family policies because they are mandated to do so through public policy. Firms exist within a social environment subject to political constraints. In response to public pressure regarding gender equity and the public's concern about work-family conflict, many governments have passed work-family legislation, e.g. the 1993 Family and Medical Leave act in the United States and various forms of parental leave or part-time work in Europe (Rapoport et al. 2002).

In Europe, public policy has been widely used to provide employees with work-family benefits and increase workplace flexibility. Sweden and Norway have legislated paid parental leave for employees. France legislated a 35-hour work week several years ago. The European Union issued a directive to all its members regarding the universal right to work part-time, with pro-rated pay, benefits, and training opportunities (Rapoport, Bailyn et al., 2002; Berg, et al., forthcoming). Yet, there are limits to extent public policy can change work-family balance within organizations. Company culture, management, and gender stereotyping can be significant obstacles to organizational change and the implementation of work-family policies (Cooper and Lewis, 1995; Haas and Hwang, 1995; Hoag et al., 2002).

In the U.S., public policy in the work-family area has not been as extensive. The Family Medical leave Act gives employees the right to unpaid leave and there has been no policy changes regarding work time flexibility or part-time work. Companies in the U.S. have taken the lead in introducing work-family practices and this is reflected in the work-family literature.

Most U.S. studies that examine the relationship between work-family practices and organizational performance focus on employee attitudes and behaviors that affect organizational outcomes, such as retention or individual productivity. Grover and Crooker (1995) find that employees who had access to family-responsive policies showed significantly lower intention to quit and greater organizational commitment. Lambert (2000) finds that those who see work-life benefits as useful exhibit higher organizational citizenship behaviors. In addition, (Scandura and Lankau, 1997) show that women who perceived their organizations offered flexible work hours reported higher levels of organizational commitment and job satisfaction than women who did not.

A few studies measure the effect of work-family practices on performance directly. There is a paucity of quality research on work-family practices and organizational performance and only a few studies on directly linking work-family practices to individual performance. Using both qualitative and quantitative analysis, Hill et al., (1998) show that employees at IBM who worked remotely achieved higher productivity, flexibility, and work-life balance. Konrad and Mangel (2000) find that work-life programs have a positive impact on organizational productivity when women comprise a larger percentage of the workforce and when a higher percentage of professionals were employed. In contrast, Kossek and Nichol (1992) find that on-site child-care is unrelated to supervisor rating of individual performance.

The effects of flexible work hour arrangements on process efficiency depend greatly on the structure of the work schedule. Flexible scheduling that allows variations in starting and finishing times or allows the hours of work to vary from week to week or month to month are expected to work best if slack times for the employer can be made to correspond times of the day or week that are useful to employees who need to take care of personal needs (Glass and Estes, 1997). In addition, process efficiency can also be enhanced via greater flexibility and more options for scheduling work in organizations that have adopted just-in-time practices (Bosch, 2000). The absence of inventory buffers in manufacturing and the promise of service on demand in financial, consulting, and communications services have increased the importance to firms of matching workers' schedules to variations in demand.

Implications for Policy and Practice

Demonstrating the effect work-family practices on organizational performance remains challenging for researchers.

Although researchers are using more survey data, it is still difficult to isolate the effect of a particular work-family practice on an organizational outcome. For example, although telecommuting has been shown to increase individual productivity, it is not clear whether this is the result of employee self-selection or the practice of working remotely.

In addition, research needs to focus more on measuring the underlying mechanisms through which work-family practices may increase productivity or some other organizational outcome. For example, it would be helpful to demonstrate whether work-family practices increase discretionary effort or organizational commitment and whether these factors in turn explain performance gains.

Almost all studies on work-family practices and organizational performance focus on the benefits to organizations. Little attempt has been made to measure the cost of these programs or their net effect on organizations.

Finally, successful implementation of work-family policies and practices, whether initiated by companies or through public policy, face obstacles of workplace culture and gender stereotyping. More studies are needed that focus on these types of constraints in different countries.

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Other Recommended Readings on this Topic:

(Click on titles to link to citations/annotations in the Literature Database.)

- Appelbaum, E., Bailey, T., Berg, P., & Kalleberg, A. L. (forthcoming). Organizations and the intersection of work and family: A comparative perspective. In S. Ackroyd, P. Thompson, P. Tolbert and R. Batt (Eds.), *The Oxford handbook of work and organizations*. Oxford: Oxford University Press.
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Locations in the Matrix of Information Domains of the Work-Family Area of Studies

The Editorial Board of the Teaching Resources section of the Sloan Work and Family Research Network has prepared a Matrix as a way to locate important work-family topics in the broad area of work-family studies. ([More about the Matrix...](#))

Concepts related to adult development are relevant to all of the "Individual" domains in the Matrix of Information Domains of the Work-Family Area of Study. In addition, theories of adult development are relevant to Domain F: Theoretical Underpinnings.

Note: The domain areas most closely related to this topic are presented in full color. Other domains, represented in gray, are provided for context.

To download the matrix, click here:

http://wfnetwork.bc.edu/downloads/Intnatl_Perspectives.pdf

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