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## Work and Family Balance: An Economic View

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# Work and Family Balance: An Economic View

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Veronica Jacobsen

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# Abstract

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The way in which people balance their work and family responsibilities is becoming increasingly prominent on the policy agenda. This paper uses an economic framework to explore the rationale for government policies to improve work/family balance. It finds that strongest economic grounds for government intervention are the effects that maternal work may have on children. The evidence, however, is not strong, and whether maternal employment helps or harms children depends to a large part on the nature and quality of the childcare the children receive while the parents are at work. A number of policies could be used to promote work/family balance, including leave, childcare, changes to working hours, efforts to improve the family-friendliness of organisational cultures and tax/benefit policies. The most significant factor affecting work/family balance appears to be the organisational culture of the firm. In general, if organisational culture is not, in fact family-friendly, family-friendly measures will have little effect.

## JEL CLASSIFICATION

D21 - Firm Behaviour  
J13 - Fertility; Child Care; Children; Youth  
J33 - Wages, Compensation, and Labour Costs - Compensation Packages; Payment Methods  
J38 - Wages, Compensation, and Labour Costs - Public Policy  
I31 - General Welfare; Basic Needs; Quality of Life  
L29 - Firm Objectives, Organization, and Behaviour –Other

## KEYWORDS

work-life balance; work-family balance; organisational culture; public policy; workplace regulation; labour market regulation, family, family policy, childcare, parental leave, working hours; firm

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# Work and Family Balance: An Economic View

## 1 Introduction

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Work/family balance<sup>1</sup> issues are becoming increasingly prominent on the policy agenda. However, proponents typically simply review trends in employment and advocate government intervention with little, if any, consideration of the theoretical basis for intervention or empirical analysis of the effects of work/family policies. This paper addresses this lacuna with an economic framework for considering the rationale for government policies and reviews the effects of measures such as parental leave, childcare, flexible working hours and part-time work in improving work/life balance.

An economic framework for analysing work/life balance issues is presented in Section 2. Recent trends in family structure and employment are presented in Section 3. Section 4 outlines the different measures that can be used to allow people to balance their work and family lives, including childcare, policies affecting organisational culture, parental leave, part-time work and flexible working hours. It draws on the international literature to review their effects. Section 5 concludes the paper.

## 2 An economic view of work/family policy

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This section of the paper presents an economic framework for analysing the rationale for government intervention to promote work/family balance. Much of the literature on the work/family balance asserts that government intervention is necessary to provide family-friendly workplaces, without providing an economic justification for why that intervention is necessary. The typical arguments used are that trends such as longer working hours and greater female participation in the work force mean that the work/family balance is being shifted in favour of work, and that surveys show that significant proportions of respondents are dissatisfied with their work/family balance. The potential gains from enhanced worker productivity from family-friendly workplaces also often cited as policy rationales.

The economic view outlined below is based on the idea that individuals will make choices between paid work and family responsibilities. As women's human capital has increased, the opportunity cost of staying at home and rearing children has increased, so women have entered the workforce. Given their individual work/family preferences, which may vary between men and women (in part due to differences in comparative advantage),

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<sup>1</sup> This term, denoting a subset of work/life balance, implies that people are fulfilled in both their work and family lives.

workers negotiate wage income and family time with their employers. The outcome should be beneficial to both, since firms can garner benefits such as increased productivity. In some circumstances, however, the outcome may not be efficient and intervention could be considered.

## 2.1 The family

The economic theory of the family is closely associated with Becker (Becker 1991, Ermisch 2003). The theory of the family covers decisions not only about the distribution of work and the allocation of time in the family, but also about marriage, divorce, fertility and children. This model provides a general theory for the household's allocation of time (Becker 1965).

The theory is that a household produces basic goods and services, such as meals, housing and entertainment, using time and goods bought in the market. The costs of household production include the direct costs of purchase in the market and the opportunity cost (lost wages). If wages change, the payoff to working at home or in the market changes. It can become uneconomical for one member of the family to specialise in household production (for instance, child care), and more economical to enter paid work and buy services, such as schooling or meals.

The economic approach to the family acknowledges that there are intrinsic differences in comparative advantage between men and women, not just in the production of children, but also in childcare, particularly when children are infants. These differences determine the direction of decisions about subsequent investment and accumulation of human capital. Although there is no necessity that men specialise in market activities and women in household activities, women's initial advantage in childbearing and rearing means that a gendered division of labour is often the result. Small biological differences can result in huge differences in activities as investments are channelled differently (Becker 1991).

The economic approach to human fertility emphasises parent's income and the costs of bringing up children.<sup>2</sup> Parents are assumed to have preferences regarding both the number and educational level of their children, where the educational level is affected by the amount of time and other resources that parents invest in their children. As wages rise the value of the time of married women rises and the opportunity cost of raising children rises. Parents increase their investment in each child, but decrease the number of children.

The theory therefore suggests that as women's human capital has increased, the opportunity cost of staying at home and rearing children has increased. Women have therefore increased their participation in the labour force and have chosen to have fewer children. At the same time, divorce rates have risen as women's earning capacity has increased (Becker 1991).

Until recently much empirical work on households assumed that the family acted as if it were maximising a "family utility function" (Bergstrom 1997). However, individuals within households are not identical, and their differing preferences mean that bargaining is likely to play an important role in household decision-making about such things as expenditure and the household division of labour (Zelder 2002). Family members depend on each other materially and emotionally—the welfare of one individual affects that of the others.

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<sup>2</sup> The terms "parent", "worker" and "employee" are used when no gender differences are implied.

Because they have interdependent utility functions they take each other's interests' into account in their decision-making.

Individuals are seen as rational beings who seek to improve their own well-being and that of their families. They will strive to select that balance work and family that leads to the best outcome ie, that which maximises utility. Workers receive satisfaction both from the consumption of goods and services acquired from income received by working as well as from all other uses of their time, including family commitments, termed "leisure" in standard economic models to distinguish it from paid work.<sup>3</sup>

Each worker makes a decision about how many hours to spend in paid and unpaid work in a day (including family activities). The work/family balance for each individual is likely to change over the life cycle as family responsibilities alter. Changes in a worker's circumstances, such as changes in wages, an increase in demand for consumption goods or an increase in the need for non-work time can all affect this decision on the supply of labour.

Because each individual's preferences and circumstances are different, the optimal work/family balance will vary from person to person. An individual's optimal work/family balance will be determined by various factors, such as the relative weights placed on achieving career goals versus caring for and nurturing children; the type of job; how much stress is tolerable; family commitments; how much family time is valued and the financial returns from working (Becker 1991). There is therefore no universally optimal work/family balance.

There are strong linkages between work and family life that can be positive or negative. Freidman and Greenhaus (2000) argued that resources, involvement and emotional gratification in one role can spill over and affect the other. These spillovers can be negative or positive depending on how the two spheres of life are balanced. Resources obtained in one role, such as money, time, flexibility, acceptance, self-esteem and information can affect one's competence, availability and emotional gratification in another role. For example flexibility in work hours allows behavioural availability to family members, which in turn leads to emotional gratification. A greater abundance of resources promotes greater work/family integration, however a scarcity of resources creates work/family conflict. Similarly, they argued that a skewed involvement in one role can lead to negative impacts on the other. Finally, emotional gratification in one role can spill over and affect the gratification received in the other role. This spillover can be either negative or positive, producing either conflict or integration. Feeling good about family lives can enhance the enjoyment of work.

A significant proportion of work/family balance issues arise because of the choices individuals have to make between paid work and family responsibilities. In the past men have tended to specialise in market activities and women in household activities as a result of inherent differences in comparative advantage. However, as women's human capital has increased, so too has the opportunity cost of remaining at home and rearing children, and more women have entered the workforce. This trend is likely to have affected fertility rates. With more women in work, the family has been required to make more conscious decisions around paid and unpaid work in the home, decisions which include care for dependents.

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<sup>3</sup> Feminist economists have noted that in the early neoclassical labour supply literature women and the economic activity of women were virtually invisible. The definition of labour coincided with men's economic activity, in which the alternative to paid work was called leisure, and ignored the household and child rearing work of women (Jacobsen 1998).

The actual work/family choices are likely to vary depending on individual preferences, commitments, circumstances, career aspirations, work opportunities, and family networks. Nevertheless, women's role in childbirth and rearing has meant that a gendered division of paid and household labour has tended to continue, and that work/family balance issues are most acute for women.

## 2.2 The firm

The interdependency of work and family life suggests that firms can benefit from providing family-friendly workplaces (eg, with paid parental leave or flexible working hours). Potential benefits include lower staff turnover, stress reduction for employees, better recruitment possibilities, a greater range of diversity in staff interests and experience and greater overall flexibility in deploying staff, a better public image of the company, and enhanced productivity. Costs include not only direct costs such as the provision of day-care, but also indirect costs such as increased administration and supervision to prevent abuse and to prevent disruption by ensuring adequate labour coverage.

The way in which the benefits and costs balance in practice depends on the individual characteristics of the firm, the job and the employee. A number of factors are likely to influence the cost/benefit analysis including the size of the firm, the business sector the firm operates in, the skill and rank of the employee in question, the stage of the economic cycle and the values of the firm involved. Larger firms may find it easier to reorganise work than smaller firms. If a sector of the economy is characterised by highly specialised and non-substitutable skills (such as in the financial sector) then there is a greater incentive for firms to provide family-friendly entitlements. There are also likely to be weaker incentives for a firm in times of recession or downsizing.

Firms are more likely to provide family-friendly workplaces for highly valued workers and where productivity gains can be expected (Charlesworth, Campbell, Probert, Allan and Morgan 2002, Evans 2001). The more competitive the labour market and the less costly the policies relative to their benefits to the firm, the more likely they are to be provided. The greater the value of a worker to the firm, the greater the incentive for the firm to reward that employee with money and benefits (Whitehouse and Zetlin 1999). Professional, technical and managerial workers are more likely to be covered, while areas of low skill employment (often female dominated) or where there is an excess supply of labour, may offer little incentive to the firm to provide family-friendly provisions.

The larger a firm, the more likely it is to have a formalised human resource layer of management that will cater for work/family balance. However formalised rules and practice may decrease the scope for flexibility and discretion, serving to limit the work/family options open to a worker (Whitehouse and Zetlin 1999).

The management style of a firm, such as the flexibility and responsiveness of managers to the needs of individual workers, and the organisational culture of the firm are important in determining whether it is likely to provide and support family-friendly policies. The increasing trend towards "high-commitment" or "high-trust" management that involves greater mutual commitment between employers and employees may exert a positive influence on the provision of family-friendly policy within firms, increasing the commitment of employees and lowering transaction costs (Evans 2001).

On the other hand, some management trends may inhibit the provision of family-friendly workplaces. Reduced reliance on personnel rules and practices may inhibit provision of family-friendly measures. Short-term views of profitability can run counter to family-friendly workplace policies provided with a view to the long-term retention of staff. The “long-hours culture” ingrained in some firms can negate any family-friendly workplace provisions. Equal employment programmes can serve to ameliorate gender inequity by improving the access of women to high-level positions but may have the perverse consequence of discriminating against women. If the costs to the firm outweigh the benefits, firms may try not to employ individuals that might make use of such programmes.

Technological change can facilitate family-friendly work by increasing the possibilities of working from home. New technology allows ever-easier and faster communication possibilities between workers operating off-site and those stationed on-site (Evans 2001).

Some work practices, such as shift-work, might be directly beneficial to the firm, for example by enabling it to offer 24-hour service, and might also be family-friendly to some employees, by providing shifts rather than full-time work. On the other hand they may be detrimental to families by making parents work at times when they would usually be with their families. The effects of part-time work and flexible hours on employees are discussed in Section 4.

## 2.3 Market failure

In a perfectly competitive world workers and firms could negotiate contracts that meet the work and family needs of both parties and reflected the preferences of each. The worker would include the interests of the rest of the family in coming to an agreement. The wage would incorporate the value of family-friendly provisions to the worker and their cost to the firm. Workers who chose not to make use of any family-friendly terms such as a shorter working week would be paid more. In this way, the preferences of workers and firms would be reflected in the terms and conditions of the contract that specified both wages and family-friendly measures.

In practice, however, there are transaction costs associated with negotiating contracts that can lead to market failure. In these circumstances, each contract would not necessarily reflect the individual preferences of each worker and firm. The value of the contract would be less in aggregate than if the contract were perfect under conditions of perfect competition. Such market failures may provide justification for government intervention to require firms to provide family-friendly workplaces.

Perfect competition assumes that all economic agents are homogenous. However, there is significant variation among both workers and firms that gives rise to transaction costs in negotiating contracts to determine the needs and preferences of individual workers.

Differences between workers in their marginal productivity are likely to be reflected in the wage and family-friendly terms of the labour contract. The more valuable are workers, the more likely are firms to bear the costs of tailoring contracts to their needs and to offer family-friendly terms. Since workers are not homogenous but are differentiated by their skills and abilities, not all labour contracts will include family-friendly benefits. Typically, those with less ability and less specific skills are not able to negotiate family-friendly provisions as good as those negotiated by those with more ability.

Whitehouse and Di Zetlin (1999) examined the distribution and implementation of family-friendly policies in Australian workplaces and concluded that there is some support for the “market polarisation” effect, where family-friendly policies are only provided to those workers seen as “valuable” to the firm; for example women in high-level jobs will receive such benefits, but women in low-level jobs will not. However, in the public sector family-friendly policies are spread more evenly.

When either firms or workers (through collective arrangements) can exert market power, the resulting labour contracts may not necessarily reflect the true interests of the firms or individual workers. Given the different circumstances and preferences of individual workers, contracts negotiated by unions, or offered by firms on the same terms to all workers, are unlikely to have the optimal mix of wages and family friendly terms. For some workers, such as those with no family responsibilities, the wage may be “too low” relative to family-friendly provisions they do not need. The opposite may be true for those with substantial family responsibilities, particularly mothers.

In some cases, the contract of employment between the worker and firm will fail to take into account the effects of the agreement on others. For example it may fail to take into account social costs associated with poor health as a result of overwork or the costs in child development and behaviour that may result from a lack of adult presence in the home. The firm may enjoy some private benefits from family-friendly policies (such as increased productivity or the retention of valued workers), but does not enjoy *all* the benefits. Some social benefits spill over beyond the firm and the worker, for example children or other dependants can benefit. This phenomenon is likely to lead to the under-provision of family-friendly workplace policies simply because the firm does not receive all of the benefits.

Parental employment can have spillover effects on children. Paid work is often an important source of economic support for families, and the increased income can thus improve a child’s well-being directly. However, the benefits of extra income (both for parents and for children) need to be weighed against the direct costs of any childcare purchased outside the home, and the loss of parental time directly invested in children’s development.

Effects of parental employment may vary by the age of the child, by the child’s gender or by the gender of the parent employed. Some effects evident at one point may fade over time. A number of studies have been carried out to examine the effects of parental employment on children. Most studies have focussed on the effects of maternal rather than paternal employment.

Nechyba, McEwan and Older-Aguilar (1999) briefly reviewed a range of studies using the US NLSY that consistently (but not without exception) relate early maternal employment to poorer behavioural<sup>4</sup> and cognitive outcomes during early childhood for most children.<sup>5</sup> However, the effects are smaller or absent if the mother works only from the third year after birth. Furthermore, other evidence suggests that the effects of early maternal employment fade or disappear as children move into middle childhood and adolescence. Wylie, Thompson and Lythe (2001) found that in New Zealand at age 10 there was no

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<sup>4</sup> Belsky (2001) reviewed two decades of research, concluding that evidence for adverse effects of extended periods of maternal employment from the first year of life is firm, particularly for mothers with high levels of depressive symptomatology. It is not clear, however, whether any of this research succeeded in controlling adequately for unobserved parental characteristics which may influence both parental employment and children’s behavioural outcomes.

<sup>5</sup> There is some evidence that those coming from particularly disadvantaged backgrounds do not suffer ill effects from early (infant) childcare.

association between current maternal employment and children's competencies. However, none of these studies attempted to correct for unobserved differences among parents associated with whether or not they worked, and which might independently affect children's outcomes (Nechyba *et al* 1999).

Recent evaluations of "welfare to work" experiments in the United States provide useful information on the effects of parental employment, particularly employment by single mothers, on children's outcomes. Morris, Huston, Duncan, Crosby and Bos (2001) summarised the literature and conclude that welfare programmes that supplement earnings of mothers and require employment have significant and positive effects on child behaviours among five to twelve year old children. Chase-Lansdale *et al* (2003) analysed the effects of welfare reform in the US in a longitudinal study in Boston, Chicago and San Antonio and found that mothers' transitions from welfare into work were not associated with negative outcomes for preschoolers or young adolescents. On the other hand, some evidence suggests the effects of parental employment on adolescents may be harmful, and may be arise from reductions in parental supervision (Lopoo 2002, Paxson and Waldfogel 1999). Blank (2002) reviewed the literature and concluded that financial incentive programmes aimed at reducing poverty and increasing the earnings of mothers can also improve child outcomes.

The evidence suggests that when combined with access to good quality center-based child-care, after school programmes, and generous earned-income subsidies, employment of women previously on welfare on average does not lead to worse outcomes for children aged three to five years, and does lead to better outcomes for elementary school-aged children.<sup>6</sup> Improved outcomes for young children resulting from such programmes may result from better access to quality childcare rather than from increased family income *per se* (Duncan and Chase-Lansdale 2000, Huston 2000).

A number of studies found that childcare quality has an effect on measured outcomes for young children, such as performance on tests administered at age 5 and older (Cleveland and Krashinsky 1998, Doherty 1996, NICHD 1999). The impact of childcare quality appears to be more important for children from disadvantaged families than for other families (Currie 2000, Peisner-Feinberg, Burchinal, Clifford, Yazejian, Culkin, Zelazo, Howes, Byler, Kagan and Rustici 1999). The effects of childcare on work/family balance are discussed in Section 4.1.

In a thorough study of the effects of maternal employment on children's cognitive abilities at ages three to six, Ruhm (2000) used a variety of specifications to control for the likely effects of unobserved parental and child characteristics. He concluded that substantial cognitive gains accrued to children whose mothers stayed home for at least two to three years after giving birth. Maternal employment during the first year was associated with a small decrease in verbal ability among three- and four-year olds. Working during the second and third years appeared to have less favourable or more deleterious consequences when the mother was also employed in the first year.

Barker and Maloney (1999) using data from the Christchurch Health and Development Study found positive but weak associations between mother's current work and reading scores between ages 8 and 13. Mothers' work did not seem to have a direct causal effect, but was rather a proxy for other time-invariant characteristics of the mother or family that independently had positive effects on test-scores.

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<sup>6</sup> To be eligible for income subsidies and provision of childcare, women needed to work for at least 30 hours per week.

Brooks-Gunn, Han and Waldfogel (2002) investigated the effects of early maternal employment on children's cognitive outcomes, controlling for type and quality of childcare and home environment. This study found that children whose mothers worked at all in the first nine months of the child's life had lower scores in terms of school readiness at 36 months than did children whose mothers did not work at all in that time. This negative effect was more pronounced for children whose mothers worked longer hours (30 hours a week or more) in the first year. These effects were larger for children whose mothers were rated as insensitive at when the child was 6 months old compared to children of sensitive mothers, for boys compared with girls and for children with married parents as opposed to children of single mother households.

A review of the literature by the OECD (2002b) on the effects of maternal employment on child outcomes showed that maternal employment in the first year of life and during pre-school years led to slightly lower educational attainment outcomes for young adults. However, few studies controlled for factors such as the quality of childcare the children of working mothers receive, or the quality of the mother's working experience itself.

The OECD review also noted that the increasingly irregular and non-standard nature of work agreements and work schedules has exacerbated the negative effect of maternal employment on children, relative to the effects on the children of mothers who worked a standard week (OECD 2002b). These negative effects include cognitive maldevelopment and lower educational attainment as well as ill-discipline at school compared to those families where mothers only worked standard hours. It was also observed that longer working hours were bad for children as they curtailed the amount of time parents are able to spend with their child.

A review by Russell and Bowman (2001) found that how the workplace affects the parent (eg, job satisfaction, work-related tension) in turn affects children. Mothers' experiences of employment may have more influence on child behaviour than maternal employment *per se*. MacEwen and Barling found that negative experiences at work "spilled over" into family life, affecting child behaviours through personal strain and parenting behaviour. Williams and Alliger (1994) found that multiple role juggling, task demands, personal control and goal progress all affect moods at both work and home.

The time that parents spend in caring for their children has opportunity costs in terms of direct loss of earnings and the depreciation of their human capital, although it is also an investment in the human capital of their children (Gustafsson and Stafford 1997). There is thus a trade-off associated with the time allocation of parents. The high costs of staying at home and caring for children may be a contributory factor in the decline in fertility in most Western countries. Family-friendly policies have been promoted in some quarters to help raise fertility rates and counter the effects of an ageing population (Callister 2002).

Imperfect information may also be a source of market failure, as neither party may have accurate information about the other with respect to family-friendly workplace provisions (Vandenberghe 2000). The employer needs information about the current and future productivity and commitment of the employee. The employee needs information regarding the pecuniary and non-pecuniary characteristics of the job. This includes information regarding the family-friendliness of the employer.

Asymmetric information and opportunism can produce inefficient transactions and influence future contracts. Firms may use proxies (such as gender and age) to infer information about the likelihood that a worker will in fact make use of family friendly provisions. The inferences by the employer may not reflect the true characteristics of the

potential worker and may thus result in an imperfect contract that does not reflect the underlying preferences of the parties. For example, an employer might refuse to hire young women based on a perception that they will be costly in terms of parental leave. Anti-discrimination legislation seeks to prevent firms treating men and women workers differently.

Different people have different preferences for balancing work with the needs of family life. There is thus no single or universal level of work/family balance that will satisfy all workers. Any arbitrary requirement to provide a certain level or type of family-friendly provisions in the workplace would inevitably “get it wrong”.

Workers have strong reasons to seek and balance between work and their family commitments, taking into account the needs and wants of other family members, including children. In all cases, though, choice is constrained by individual circumstances.

An economic view of the relationship between workers and firms suggests that while workers have incentives to seek employment opportunities that allow them to balance their work and family responsibilities, firms also have an incentive to provide family-friendly workplaces where it is worthwhile for them to do so. Workers may negotiate greater flexibility in their employment, for example, in return for lower wages. At the same time, firms may offer more family friendly terms to more valuable employees, just as they might also offer them higher wages. Different workers may therefore enjoy very different work/family balance provisions in the workplace. While differential treatment of workers may raise issues of equity or fairness, it does not in itself form economic grounds for government intervention.

The strongest grounds for government intervention arise from the externality effects that parental, particularly maternal, employment imposes on children. Overall, the evidence suggests that maternal employment, particularly during early infancy, and also in adolescence, does have the potential to harm children, even when the effects of extra income earned are taken into account. The effects are likely ameliorated by the availability of affordable good quality childcare and out of school supervision. Some evidence suggests that negative effects are stronger for children from two-parent, and more affluent families—but this needs to be seen in a context where such children on average have significantly better outcomes than children from lone parent families.

### 3 Family and employment trends

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This section examines employment and family trends that include trends in the workforce and make-up of families. These trends provide a context for understanding which family-friendly policies might be appropriate in promoting work/family balance. It should be noted, however, that most literature on work/family balance policy simply proceeds from an examination of employment and family trends, similar to that shown here, to policy proposals without any framework for analysis—an approach that has served as the motivation for this paper.

An OECD (2001) survey of the major trends in employment and family across the OECD countries found that the numbers of couple families with three or more children are declining, while in some countries there has been an increase in the number of couple families with no children. There has also been an increase in the number of lone-parent families in nearly all countries.

In Europe and North America during the late 1990s, the employment rate for all mothers with children aged 6 or under ranged from 42% in Spain to 78% in Sweden. The rate for mothers with children aged 6 or under was often higher than the rate for all women aged 20-60. This result reflects that fact that women with small children are relatively young, and younger cohorts have higher employment rates (OECD 2001: Table 4.1).

The survey also found that the traditional single breadwinner family is in decline. The proportion of couple families of the “single breadwinner” type is falling, due to the increase in dual earner couples and couples with one full time worker and one part-time worker. The employment rates of lone-parents have remained relatively stable, with over one half of all lone-parents with a child under 6 in paid employment in 1999.

The 1995 Australian Workplace Industrial Relations Survey considered recent workplace trends in Australia, with a focus on changes to work hours and work intensification (Morehead, Steele, Alexander, Stephen and Duffin 1997). One quarter of all employees participating in the survey reported that their weekly working hours had increased over the year prior to the survey. Those most likely to report an increase were managers, professionals, employees in the highest income quartile and workers in the education industry. Employees most likely to report a decrease in hours were part-time workers, casual workers and those employed as sales or personal service workers.

By combining results about changes in employee stress levels, job effort and work pace, Morehead et al created an index of work intensification. A high score on the work intensification index was associated with decreases in job satisfaction. More than a quarter (28%) of employees had a high score on the index, 24% had a moderate score while 49% had a low score or no score on the index.

The 2000 Work-Life Balance Baseline Study examined work/family balance trends in Great Britain, and in particular working hours trends (Hogarth, Hasluck, Pierre, Winterbotham and Vivian 2001). The study found that most employees worked outside the “standard working week”. Working extra hours was common across all employees, and particularly common amongst professionals and managers (who rarely received payment or time in lieu for these additional hours). Thirty nine percent of workplaces covering 40% of employees operated on the “standard working week”, while 11% of workplaces covering roughly 19% of employees operated 24 hours a day, seven days a week. Fifteen percent of employees reported working on Sundays while one in eight worked both days of the weekend. Men averaged 44.8 hours of work per week, women averaged 34.1 hours, while 11% of employees worked 60 or more hours per week. Those full-time workers who worked in excess of their contracted hours worked an extra 9.6 hours on average. Long hours were prevalent among men in couple households with children, at around 14%.

The employment and household trends and statistics for New Zealand are not significantly different from those of Australia, the US and Europe. In line with international trends, the traditional two-parent male breadwinner family structure is on the decline in New Zealand. While the majority of children (69% in 2001) in New Zealand continue to live in two parent families, this number is also declining (down from 74% in 1991). The percentage of families with children that were lone parent families increased from 26% to 31% between 1991 and 2001. Women made up 84.8% of lone-parents in 1996, which changed little over the preceding decade. Parents in *de facto* relationships are also becoming more common (increasing from 9.3% to 13.5% between 1991 and 1996).

Mothers are becoming more involved in the paid workforce. It is becoming more common than twenty or even ten years ago for both parents in two parent families to be employed. However, this increase appears to be due in part to the increase of part-time work, with the number of children in two parent families with both parents working full-time remaining relatively constant at around 25% over the decade 1986 through 1996. In 2001, 36% of women in paid employment worked part-time compared with 12% of men. Sixty one percent of employed women with children under one year of age worked part-time, while only 32.9% of employed women with teenage children (13-17 years of age) are in part-time employment.

The Time Use Survey also provides some data on working hours and non-standard work hours (Statistics New Zealand and Ministry of Women's Affairs 2001). On average, more men than women work long work hours. Sixteen percent of men recorded labour force activity of 10 hours per day or more, compared with 5% for women. In terms of work at weekends and night, women and men share relatively similar statistics. Eighty six percent of female labour force activity is done on weekdays and 14% on weekends, while the figures for men were 87% on weekdays and 13% on weekends. Ten percent of women's and 11% of men's labour force activity is conducted between the hours of 8pm to 6am (ie, night work).

Department of Labour (2001) in *Workforce 2010* documented the growth in non-standard work patterns and changing work hours. Over the last 15 years there has been a rise in non-standard employment and working hours. For men there has been a disproportionate increase in part-time employment, while women have experienced disproportionate growth in self-employment. There has also been an increase in the number of people working longer hours (50 hours or more per week) and the number of people working multiple jobs.

The typical hours of work are changing for both women and men. While the majority of workers still work the regular 40-hour week, there has been a shift away from this "standard" type of employment pattern, towards the extremities of the hours-per-week spectrum. This may reflect differing opportunities in paid employment and different worker preferences. Women tend to be over-represented in the 1-29 hours-per-week bracket while men are over-represented in the 50+ hours-per-week bracket. From 1987 to 2001 the number of employed women working 1-29 hours per week increased by 6%, while the number of working women working 30-49 hours decreased by 8%. For employed men, the number working 30-49 hours fell by 12%, while the percentage working 50+ hours increased to 31%.

Overall, the main New Zealand trends resemble those internationally. The family structure is changing with the traditional two-parent family becoming less and less common. The male breadwinner family structure is also on the decline as it becomes more likely that both parents are in paid employment. In line with this, female labour force participation rates are continually on the rise as are maternal employment rates. While men (and fathers) still receive higher earnings and retain higher labour force participation rates than women (and mothers), this gap is steadily closing. Working hours are also changing, with people in general working longer hours. The "standard working week" is less common than before with more people working either part-time or very long hours.

## 4 Work/family policies and their effects

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Several types of intervention may be used to correct externalities, including leave, childcare, changes to working hours, efforts to improve the family-friendliness of organisational cultures and tax/benefit policies.<sup>7</sup> Many of these measures are currently in use. However, none seem to have been implemented specifically to address the problem of market failure and externalities, especially in relation to child development. Rather, they seem to be designed to address female labour force participation. Additional measures that could be seen as addressing market failure include the use of unions to counter the market power of firms, and the use of anti-discrimination legislation.

This section identifies the principal measures that can be used to foster a better work/life balance. It also reviews the international literature on their effects, bearing in mind that their principal objective has typically been to increase women's labour force participation.

Leave policies are designed to help parents deal with the needs of children while maintaining their labour force participation. "Parental leave" allows parents to take time off work to spend time with their children. "Maternity leave" is leave for mothers during and around the time of childbirth, while "paternity leave" is the father's equivalent. "Special leave" is leave that can be taken in certain situations such as when a child is sick, when the employee is sick or if there is an emergency. Holidays may also be provided for workers. All of these things may exist as either paid or unpaid leave and may arise out of negotiation between firm and employer or be required by statute. If leave is paid it may be funded by either the Government or the firm.

Childcare relieves parents of their caring responsibilities for a period of time to allow them to enter or remain in the labour market. Childcare includes holiday programmes and the provision of care during school holidays when a parent may be unable to care for their child. After and before school care may help in filling the gap between standard working hours and school day hours. Day care is designed more for younger children who are not old enough for school, and may allow parents to return to the labour force sooner after childbirth. Emergency care typically helps parents to deal with situations such as a sick child who cannot go to school. Childcare may be funded and/or provided by either the private or public sectors. Firms may provide childcare for their employees, while the government may subsidise services to make childcare more affordable. Also important to note, particularly with an ageing population, is "elder care," the provision of care for aged relatives who can no longer care for themselves.

The organisation and structure of working hours through the day, week or year can influence time spent at work and with the family. "Flexitime" allows employees to vary their starting and finishing hours. "Compressed schedules" allows employees to work long hours over some part of the week and fewer over the rest of the week. The emphasis with these working hours policies is flexibility. Another option is to set workers weekly, monthly or annual hours that employees can complete when they want to, as long as it is within the time prescribed. Other options may include allowing a worker to return to work part-time soon after the child is born, or allowing the worker to work from home.

Measures related to organisational culture can also improve work/family balance. If attitudes within the firm produce an organisational culture that is family-unfriendly, programmes and education promoting understanding may be required. A family-hostile

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<sup>7</sup> For a review of family-friendly policy measures in Australia, Denmark, and the Netherlands see OECD (2002a).

culture can impinge on work/family balance as it may produce lower take-up rates of family-friendly measures if employees feel uncomfortable using them.

The literature regarding the performance and effectiveness of various work/family policies including childcare, organisational culture, parental leave, part-time work and flexible working hours is reviewed in this section.

## 4.1 Childcare

The OECD (2002b) investigated the effect of policies such as childcare and paid parental leave on child development. It found that while it is generally accepted that the first years of a child's life are among the most important in terms of cognitive and behavioural development, a significant body of research shows that participation in good quality childcare can have positive impacts on cognitive, emotional and social development. The evidence on this issue is mixed.

Several studies conducted in Sweden showed that children starting childcare at between 6-12 months of age achieved markedly better in aptitude tests and made greater socio-emotional advancement than those entering childcare later or cared for at home. A follow-up study of the same cohort at age 13 showed that those placed on childcare during the first year of life demonstrated greater cognitive development. Those children who entered childcare in their second year of life had lower school performance, although those cared for at home had the lowest level of performance (Andersson 1992, Broberg, Wessels, Lamb and Hwang 1989).

While other studies have shown that children placed in childcare centres develop just as normally or better than those brought up at home (Gunnarson, Korpi and Nordenstam 1999), British studies have raised questions about the effect of childcare on socio-emotional development, while acknowledging a positive impact of pre-school childcare on cognitive development (Melhuish and Moss 1991, Osborn and Milbank 1987).

A meta-analysis by Violato and Russell (2000) on the psychological effects of non-maternal care on children in terms of cognitive development showed that children in day care are in all likelihood not at risk of negative outcomes compared to children in maternal care. On the other hand the results for the socio-emotional and behavioural domains showed clearly negative outcomes for non-maternal care. There were negative consequences for both boys and girls, analysed together and separately, however boys are seemingly more at risk. In terms of maternal attachment, children in day care arrangements were at increased risk of "insecure attachment" due to extensive non-maternal care. Maladjustment might not necessarily be causally connected to insecure attachment. There does exist substantial evidence that attachment patterns formed early in life extend into later childhood and adolescence and perhaps beyond, while there also exists evidence that early attachment patterns effect psychological adjustment in childhood.

The results provided by Violato and Russell are suggestive rather than conclusive, due to limited data and the absence of mediating variables such as quality of childcare in the analysis. The differences in these results may be due to the quality of childcare. Children who receive higher quality childcare in the first three years of life experience greater cognitive and social interaction development than those children exposed to low quality care. Children placed in good quality care had fewer behavioural problems, better language comprehension and greater school readiness.

Childcare is of greatest advantage to underprivileged children and children from the lowest socio-economic categories. Participation in pre-school programmes promoting cognitive development and educational achievement helps children from low-income households to close the achievement gap with more privileged children. Evidence also suggests that quality of care makes a greater difference in the development of children from lower income families than it does for children from more well-off families. However, families from the lower income bracket are the least likely to use childcare because of the costs involved. One study suggested that low-income families, in the absence of subsidised childcare, often rely on informal and relative care that does not provide adequate cognitive stimulation in contrast to preschool (Fuller, Kagan, Caspary and Gauthier 2002).

Garfinkel, Meyer and Wong (1990) investigated the potential of government-provided childcare (in the form of a tax credit) to reduce poverty and welfare receipt. Hours worked and earnings of families both receiving the welfare benefit and those not receiving were predicted to either stay the same or increase. However these increases are modest. The authors also found that there also possible reductions in poverty and welfare receipt, however these are again rather modest.

The OECD (2001) found that childcare facilities, either completely publicly provided or subsidised, can be expected to have positive effects on the maternal employment rate. The cost of childcare had a significant negative effect on the probability that mothers would work full-time in Canada and a negative effect on the employment behaviour of mothers in the US (Kimmel 1998, Powell 1998).

However, other literature points to inconclusive results regarding the effects of childcare and in particular the effect of childcare costs. In the US it has been found that the major impact of childcare subsidies is simply to allow consumers of high quality care to purchase slightly higher quality care, while in the Netherlands the cost of childcare has been found to have no effect on the labour force participation rates of mothers, and that the main effect of subsidies is simply to increase the use of formal care facilities rather than informal care networks (Dobbelsteen, Gustaffson and Wetzels 2000, Michalopoulos, Robins and Garfinkel 1992).

Duncan, Giles and Webb used data from the 1991/92 General Household Survey to analyse the impact of childcare subsidy reform on women's labour force participation. The authors find that an enhanced subsidy of childcare would be of particular benefit to several groups including those mothers whose current labour market activity is constrained by a lack of childcare, unwaged single mothers, those mothers constrained by a part-time work schedule and mothers with very young children. They found that a significant increase in the subsidy for childcare could be effectively targeted to improve the returns to paid employment for potentially many mothers of young dependents at a relatively modest cost. There is thus a predicted positive effect on women's labour force participation from increasing the subsidy. However, the estimates of the size of this beneficial impact are smaller than had previously been calculated.

Dex and Scheibl (2001, 1999) found that there may be benefits to firms from providing childcare for their staff, reducing absenteeism and sickness absences. Bevan, Kettley and Patch (1997) found that employers who provide child care referral services for their workers save an estimated £2 for every £1 spent, because of reduced sickness absences and also found that provision of child care can possibly reduce staff turnover. However, given the cost of provision of childcare, only large firms could, in reality, provide such services without losing money.

Overall the literature suggests that the provision of childcare could have positive effects on female labour force participation rates, while firms may receive a net benefit from the provision of childcare facilities. It also tends to agree that quality childcare has no negative effect on children's cognitive development and that it may indeed have positive effects. In terms of socio-emotional development the results are mixed. Some research argues that childcare will have a negative effect, while others say the effect will be positive. The quality of childcare is regarded as having a large bearing on the development of children in care.

## 4.2 Parental leave

The literature surveyed suggests that the provision (or non-provision) of parental leave can have effects on child cognitive development, child health, economic growth and labour force participation.

As noted above, Brooks-Gunn, Han and Waldfogel (2002) found that children whose mothers worked at all in the first nine months of the child's life were less school ready at 36 months than children whose mothers did not work at all in that time, suggesting positive grounds for parental leave.

Ruhm (1996) conducted a study of the economic consequences of parental leave mandates using data from 16 European countries over the time period 1969 to 1988. His study showed that parental leave legislation increased the employment-to-population ratios of women, particularly those of childbearing age. The data however, also raises the possibility that firms will respond to lengthy leave entitlements by reducing female work hours. The data also strongly suggested that women pay for greater leave entitlement by accepting lower earnings. Ruhm predicted wage reductions ranging from 1.5% to 3% for laws that mandate parental leave periods of 6 months or more.

Ruhm and Teague (1995) considered the macroeconomic outcomes associated with the provision of parental leave, using data from Europe and North America. Entitlements to lengthy periods of parental leave tend to be associated with negative labour market outcomes. In contrast, short to moderate periods of leave are strongly positively correlated with both employment and income. Ruhm and Teague predicted that these positive effects would grow through the first 7 months of leave entitlement for every macroeconomic outcome, and except for the unemployment rate, for the whole first year. These results thus suggest that short to moderate periods of leave will lead to economic efficiency gains but that lengthier periods of leave have a negative effect on efficiency. Positive benefits were more pronounced when considering paid leave around the time of childbirth.

Ruhm (1998) investigated the impacts of employment and parental leave on child health, measured by birth weights and infant or child mortality. He found that parental leave entitlements substantially reduce post-neonatal and early childhood mortality. A 10-week extension decreases expected post-neonatal deaths by 4.5 to 6.6 % and child fatalities by between 2.6 and 3.1%.

The OECD (2001) reviewed the literature considering the impact of parental leave policies. Maternal leave policies (with employment protection) were expected to raise maternal employment rates. Indeed, employers were found to implement such policies to improve staff retention rates. Long periods of leave were predicted to be detrimental, as women become detached from the workforce. It seems that no studies have estimated the optimal amount of leave with respect to detachment. In the Nordic countries,

however, long parental leave entitlements do not have a negative effect on women's employment and career opportunities relative to other OECD countries.

Evans (2002) considered the link between work/family policies such as maternity, paternity and parental leave, gender wage equity and occupational segregation using evidence from the OECD countries. He found general agreement among the literature that maternity, paternity and parental leave tend to encourage female workforce participation. However there is a growing concern that policies, such as maternity and parental leave (generally taken up disproportionately by women), can lead to a greater gender gap and greater inequity in the workforce for women. Because of the large absences from work that result from the use of such policies, women may be acting to the detriment of their careers, with some mothers being put on the "mummy-track". This may impair women's long-term career prospects leading to gender wage inequity. Evans also suggested that longer absences may lead to "horizontal segregation" in the workforce. Because of the damaging effects of long career breaks women may choose occupations that are less likely to be damaged by long absences. There is also an incentive produced by leave policies for "statistical discrimination" of younger women by firms in the recruitment process, especially if such policies are associated with higher costs and lower performance. Indeed in the US it has been found that use of leave around the time of childbirth is associated with fewer promotions and smaller pay rises.

Evans noted several counter arguments to these propositions. First, flexible working time is the most commonly provided family-friendly arrangement, and has little impact on careers. Secondly, the main motivation for provision of leave arrangements is to retain staff, and as such it would be slightly inconsistent if firms did not take steps to safeguard employees' career prospects and opportunities. Two studies noted by Evans provide evidence that there is no earnings penalty when mothers return to the same employer, and that there may be a positive wage effect. The second of these counters may indeed hold for professional women who are of value to the firm, but for women of less value to their firm the same incentives may not exist.

Alewell and Pull conducted an international comparison and assessment of maternity leave regulation. They find that it is not necessarily true that long periods of maternity leave cause large problems for firms, but that an intermediate duration of leave is potentially most detrimental—being most costly to the firm, and having the largest negative impact on women's labour market position. This is because such periods of leave render work-sharing solutions inefficient without allowing for substitution solutions ie, it is not worthwhile to get in a short-term replacement for a short period of time. However this effect would vary according to the size of the firm and skills required of the worker.

There can also be disruptions to productivity from the provision of leave for employees. Holterman (1995) estimated that it takes six weeks on average for a replacement to reach the productivity levels of the outgoing worker. This negative effect may be offset by the benefits of reduced staff turnover and absences.

Provision of maternity leave can thus lead to higher maternal labour force participation rates. Women are more likely to return to work following childbirth if leave is provided. However the provision of leave may have negative effects for women. Women may become detached from the labour force with long periods of leave, while leave can also lead to discrimination against women. If a firm must provide leave (especially paid leave) this will create a disincentive for the firm to hire female workers or firms may provide women with lower wages and reduced hours of work. Leave may cause problems for the

firm, such as having to replace an absent worker, which can lead to losses and disruptions to productivity.

### 4.3 Part-time work

Two opposing views of part-time work have been suggested by the literature. The first is that part-time work offers the “best of both worlds”, allowing women to balance their work and family lives. The second is that the low rates of remuneration, routine tasks and limited career opportunities that characterise a lot of part-time work make it more difficult for women to balance their work and family lives. Higgins, Duxbury and Johnson (2000) conducted a study using both interviews and surveys to investigate whether part-time work helps women to balance their work and family lives. The authors found research that suggests that both of these views may be valid. An important distinction can be drawn between “good” jobs (characterised by high skill level, responsibility and compensation), and “bad” jobs (characterised by low skill level, low pay and limited responsibility). Differences in job-type (good or bad) may thus lead to differences in the ability of women to balance work and family.

Higgins *et al* (2000) argued that work may play a more central role in the life of career-oriented women than it does to those who are not career-oriented. Career women (those in good jobs) may accept part-time work as a source of personal and professional fulfilment when family commitments inhibit full-time work. On the other hand women earners (characterised as those in bad jobs) seek different rewards from part-time work, such as increased income or social stimulation. Working gives different levels of satisfaction to earner and career women. Career women will generally enjoy greater satisfaction from working than women earners. Higgins *et al* also argue that career-oriented women will generally face greater demands from their work than will earner employees. Because good jobs will generally imply greater responsibility and require greater commitment it will be more difficult for career women to leave their jobs. The good job/bad job distinction shows that part-time work may play a different role in the lives of different women, and that different women encounter different levels of responsibility and workplace demands. This analysis is important in determining the effect of part-time work on these different groups of women.

Higgins *et al* found conditional support for the contention that part-time work facilitates work/family balance. However, women in earner positions received a greater benefit from part-time schedules than did career women. Women in earner positions noted all-round improvement in work/family balance, while career women reported high inter-role conflict and stress regardless of whether they were full-time or part-time. Two reasons were suggested for this difference. The first is that work plays a more central role for career women than it does for earners. So while for earners part-time work can be seen to relieve work/family pressures, for career women who find their jobs more stimulating a reduction in hours may be a negative outcome. Secondly, job-specific characteristics may account for the difference in findings. For example high-level positions are often characterised by a heavy workload. Because of this, the benefits derived from part-time schedules are limited for career women. Cultural factors may also be another relevant consideration. Career women felt that part-time work stigmatised them and was detrimental to their career prospects. In part-time work career women felt “out of the loop” while earners felt like “one of the crowd.” Career women expressed the view that this was too high a price to pay for only a slight increase in hours spent with their families.

In terms of the impact of part-time work on individual well-being, the results were mixed. Part-time work was connected with greater life satisfaction. The analysis also found, however, that job type (good or bad) may be as powerful a determinant of individual well-being as job status (full-time or part-time). It was found, consistent with other studies, that earners generally have a lower level of personal well-being than career women. Level of stress was unrelated to either job status or type. One possible explanation for this is that regardless of job status or type of work women still carried the burden of domestic work, which is consistent with studies that show that women continue to shoulder the majority of household work.

The differences in the effect of part-time work between career and earner women reflects Hakim's explanation of women's preferences with respect to work and family life (Hakim 2003). Hakim suggests that "adaptive women" prefer to combine employment and family work without giving a fixed priority to either. This is the largest group of women, and some occupations, such as teaching, seasonal, temporary, shift or part-time work are attractive to them because they allow them to balance work and family commitments. "Work-centred women" are typically focused on their careers, and family life is fitted around work. A minority of women are work-centered, whereas a majority of men are work-centered. Many of these women remain childless, even when married. "Home-centered women" are also a minority and prefer to give priority to their family life over work. They tend not to enter paid employment after marriage.

Tausig and Fenwick (2001) considered the effect of alternate work schedules such as part-time work, non-Monday-to-Friday and non-daytime shift work and flexitime on the work/family balance. In terms of part-time schedules Tausig and Fenwick found, after controlling for the differences in hours worked by full and part-time workers, that those working part-time reported greater work/family imbalance. This finding raises questions regarding the commonly held belief that provision of part-time schedules aids in achieving work/family balance. The authors suggest that in trying to swing the work/family balance towards family, part-time schedules lead to a greater imbalance on the work side, because of financial and career costs that may offset the benefits of greater family time.

Evans (2002) considered the role of part-time work in the context of gender equity and occupational segregation. He found that although part-time employment is well appreciated by women and that it does serve to increase female participation rates that it may serve to promote inequity and segregation. Part-time work is generally characterised by lower pay and lower job status and so may not provide sufficient remuneration or career fulfilment although it may promote work/family balance.

Boyer (1993) reported that employers may receive productivity gains from allowing for part-time work due to reduced absenteeism. Employers viewed part-time managers as more productive and committed than their full-time counterparts. However employers were also concerned at the increased administration and benefit costs caused by part-time working. The employers also thought that promotion became complex, as did the day-to-day management of the firm, and expressed concern at the lack of continuity and limits placed on task completion.

The literature is divided on whether part-time work serves to promote or curtail work/family balance, suggesting that the effect of part-time work on work/family balance will depend on the individual. For career-oriented women, the low wages, low job status and limited career opportunities often offered by part-time work would not be conducive to balance. However for women earners, the extra family time allowed by part-time work, mixed with an adequate salary may serve to promote balance. Part-time work does serve to increase

female labour force participation rates, and may lead to productivity gains or losses for firms.

## 4.4 Flexible working hours

The provision of flexible working hours appears to be the most common family-friendly measure. In theory, flexibility in hours allows workers more control over the balance between their family and work lives. However there is a distinction between flexibility for the worker and flexibility for the firm. The former could potentially aid the worker while the latter could ultimately serve to constrain the worker.

Staines and Pleck (1986) investigated the impact of flexible work schedules in the context of non-standard work schedules on the quality of family life. Non-standard work schedules have in general been held to be detrimental to quality of family life. Staines and Pleck investigated the extent to which the provision of flexible working hours moderates this negative effect. They found that the negative relationship between family life and non-standard working schedules is stronger the more limited the control workers have over their schedules. They also found that when workers had some control over their working hours it generally ameliorated the negative effect of non-standard working schedules. “The notion here is simply that micro-adjustments can diminish the impact of macro-arrangements” (Staines and Pleck 1986:152). Flexibility of work schedules mitigates the effects of non-standard schedules for both men and women. However, the effect was more pronounced for women.

Tausig and Fenwick (2001) investigated the impact of flexible schedules on the work/family balance. They found that the availability of flexible work schedules (flexible hours, extended lunch breaks) had no effect on work/family balance. Instead, the perception of schedule control improved work/family balance. Tausig and Fenwick explained this disparity between what is actually provided for and what is perceived. On the one hand workers who have flexible schedules may not necessarily take advantage of them, so that provision of such benefits may not necessarily influence their work/family balance. On the other hand, those who have inflexible but regular schedules may receive benefits from this regularity which means they can plan their lives more easily than if they had an uncertain schedule. Tausig and Fenwick also suggested that “It is also likely that there is some reverse causation going on in the relationship between perceived schedule control and perceived work/family balance in that by balancing work and family/personal demands one perceives greater control of their schedules” (Tausig and Fenwick 2001:116).

Buchanan and Thornthwaite (2002), Charlesworth *et al* (2002) and Gray and Tudball (2002) all made the point that flexibility in working hours must be flexibility for the worker rather than flexibility of the worker. If working hours are discretionary but it is the firm that has total control over workers’ start and finish times this will do, little if anything, to promote work/family balance.

The literature points to the importance for the worker of control of working hours. Workers who are in or feel they are in control of their hours will be more satisfied with their work/family balance. However if the firm is in control of a worker’s hours, flexibility will tend not to benefit work/family balance.

## 4.5 Organisational culture

Organisational culture has an important bearing on the take-up rates of family-friendly policies. If workers feel that taking up such policies will be detrimental to their careers they will not do so, a common reaction amongst men. In general, if organisational culture is not family-friendly the provision of family-friendly policies will have little effect.

Whitehouse and Di Zetlin (1999) considered the impact of family-friendly policies in six “best case” organisations. There was a very significant disparity between the provision of policies and the implementation of them. If managerial culture is not in reality family-friendly, policies will not be used. Whitehouse and Di Zetlin found that managers without family responsibilities, or those with a wife not in paid employment, were least likely to be sympathetic to employee needs. In some cases, co-worker resentment (co-workers looking down upon other employees using family-friendly policies or disadvantaged by their use) acted as a bar to the effective implementation of policies. These results suggest the importance of workplace culture in the implementation of family-friendly policies.

Haas and Hwang (1995) considered the role of organisational culture in men’s usage of family leave benefits in Sweden. They found certain social stereotypes ingrained in firms. Employers traditionally considered men to be charged with the primary responsibility of being the breadwinner, and that participation in the paid workforce was their foremost concern. Many employers assumed that women employed or not, would take responsibility for domestic chores and the rearing of children. Accordingly, organisational policy was based on a stereotypical view of men’s and women’s respective social roles, where the spheres of work and family should not, in theory, mix. As such “work commitment, company loyalty, and productivity are measured by an individual’s participation in full-time employment, willingness to work overtime and ability to travel for the sake of the company” (Haas and Hwang 1995:28). The firm feels that it has no role to play in the reconciliation of work and family life. A man who pays more attention to family life than to work will therefore forego career prospects. However, although changing work force and social trends are making these stereotypes unrepresentative, traditional policies remain.

Love, Galinsky and Hughes (1987) noted that unsupportive supervisors hinder women’s abilities to manage their work times and balance work and family. Desai and Waite (1991) contended that the presence of other mothers of young children results in continuing labour force participation for new mothers, a finding they interpret as an indication of the importance of social support for parenting in the workplace.

Arlie Hochschild, in research for *The Time Bind* (1997), separated organisational policies from the culture of workplaces, finding that while organisational support, in the form of policies about hours, part-time work arrangements and leave were important, without a culture that made taking advantage of these benefits acceptable, these more objective supports were all but worthless (Hochschild 1997).

The 1997 report from The National Study of the Changing Workforce and the reports from previous years of the study also consider the importance of workplace culture and support in work/family balance. In these studies, Bond, Galinsky and Swanberg (1998) found that support in the workplace was linked to employees’ well-being, as well as to job satisfaction, retention and loyalty to employers. The quality of jobs and the supportiveness of the workplace were far more important predictors of job satisfaction

than the traditional rewards of earnings and benefits, and employees in supportive workplace environments were the most satisfied.

Saltzstein, Ting and Saltzstein (2001) used a 1991 Survey of Federal Government Employees to investigate the effects of various family-friendly policies on work/family balance and job satisfaction. Workplace culture, or “organisational understanding,” was found to have more impact on work/family balance and job satisfaction than any other family-friendly policy. The study also showed that for young single men, men in traditional households, and unmarried fathers, organisational understanding was the only factor with a significant effect on work/family balance satisfaction.

Although a workplace—or government—may provide many family-friendly policies, if the culture of the organisation is not family-friendly the provision will be little used. If an employer is family-hostile, workers may be hesitant to take-up entitlements for fear of damaging their career prospects (Fursman 2002). The provision of family-friendly benefits therefore appears to be necessary but not sufficient to promote a work/family balance among employees. What is necessary is the provision of such benefits in the presence of a company culture conducive to the use of such benefits. There is thus little point in putting in place mandatory family-friendly requirements if workers feel they cannot use those policies freely and without feeling disadvantaged in their careers by doing so.

## 5 Conclusions

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New Zealand workforce and family trends appear to be similar to those in other OECD countries. Women are becoming more involved in the workforce, leading to an erosion of the traditional male breadwinner household. A discussion of workforce trends such as these is typically followed by calls for government intervention to promote work-family balance, with no analysis of the grounds for such intervention or the efficacy of the policies. This paper is motivated by a need to consider government intervention within an economic framework that examines its rationale, objectives and efficacy.

An economic approach involves the idea that people have stable, well defined preferences and that they make rational choices consistent with those preferences in markets that clear. It can also be applied to non-market behaviour, such as marriage and fertility. The economic view of the household is that the decisions individuals make about work and family are influenced by the costs and benefits involved in each. Changes in the relative costs and benefits will change the payoff to working at home or in the market. A rise in market wages, for example, will raise the opportunity cost of bearing and raising children. This factor explains not only the increase in the labour force participation of married women, but also falls in fertility and rises in the divorce rate. The economic approach acknowledges that there are intrinsic differences between men and women, principally arising from the women’s role in bearing children that lead to differences in comparative advantage. This difference influences the acquisition of human capital and can result in a gendered division of labour, with women often taking the role of primary care-giver and undertaking part-time paid work.

Individuals seek to improve their own well-being and that of their families by balancing their work and family responsibilities, taking into account the needs and wants of other family members, including children. However, different people have different preferences for balancing work with the needs of family life. There is thus no single or universal level of work/family balance that will satisfy all workers.

Workers have incentives to seek employment opportunities that allow them to balance their work and family responsibilities. They may seek more flexible arrangements, for example, in return for lower wages. Firms also have an incentive to provide family-friendly workplaces where it is worthwhile for them to do so. Typically, firms offer more family-friendly provisions to more valuable employees. Different workers may therefore enjoy very different work/family balance provisions in the workplace.

The strongest economic grounds for government intervention are the effects that maternal work may have on children. While firms have strong incentives to provide family friendly workplaces, children may nevertheless be affected when mothers work. The evidence, however, is not strong, and whether maternal employment helps or harms children depends to a large part on the nature and quality of the childcare the children receive while the parents are at work. These effects do not therefore provide strong efficiency grounds for government intervention to mandate work/family policies for the workplace.

Even where government mandates work/family balance policies, a crucial question is whether they are, in fact, worthwhile in terms of improving work/family balance. However, most policy is not targeted specifically at work/family balance issues, but rather at raising female workforce involvement, and so is typically assessed in terms of increased participation.

A number of measures are used to allow workers to balance their working and family lives. They include leave, flexible working hours, part-time work, child care and creating a family-friendly organisational culture.

The provision of childcare can improve women's participation in paid work, although cost can be a barrier. The quality of childcare, however, is critical. High quality childcare has no apparent negative effect on children's cognitive development and it may indeed have positive effects, particularly for children from very disadvantaged homes.

The provision of maternity leave can lead to greater labour force participation by mothers. It can also alleviate some of the negative effects of maternal employment on children, particularly in for very young children. However, it can have negative effects on women (if too long), leading to detachment from the labour force and inducing firms to discriminate in employment where they bear some or all of the costs of provision without countervailing benefits.

Part-time work can also increase female labour force participation, but is often associated with lower job status and prospects and lower pay. Working part-time can have different effects on work/family balance depending on the characteristics and preferences of individual workers. For women who are not career-oriented, part-time work that offers extra time for family life and some market income may promote work/life balance but may not provide high remuneration or much job satisfaction. For career-oriented women, however, the low wages, low job status and limited career opportunities often offered by part-time work are less conducive to work/life balance.

The provision of flexible working hours is the most common family-friendly measure. It can allow workers more control over the balance between their family and work lives. However, the mere availability of flexible work schedules seems to have little effect on work/family balance. For flexible working hours to benefit workers they need some (perceived) control over that flexibility. If the firm is in control of a worker's hours, flexibility tends not to improve work/family balance.

Organisational culture has an important bearing on the take-up rates of family-friendly measures provided to workers. If workers feel that taking up such policies would be detrimental to their careers they typically do not make use of them—a common reaction amongst men. In general, if organisational culture is not, in fact family-friendly, any family-friendly measures it has in place will have little effect.

The importance of the organisational culture and incentives of the firm in the work/life balance decisions of workers has significant implications for policy. Policy interventions that cause costs for the firm that are not offset by benefits can create perverse incentives—causing firms to be reluctant to hire staff likely to draw on family-friendly benefits, for example. The organisational culture of the firm is thus central to the implementation of any family-friendly policy. Government policies that require firms to provide family-friendly measures for employees are likely to be ineffective in improving work/life balance if the workplace culture is not family-friendly.

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