Chapter 19

The Relationship Between Work–Life Balance (WLB) and Firm Performance

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ABSTRACT

It is paramount that firms accurately assess the cost-effectiveness of WLB policies as initiatives to conduct such policies involve cost. WLB policies should be considered due to synergistic effects by employing a variety of policies. The benefits are usually under-estimated while the costs over-estimated, as the latter is easier to measure. Until longitudinal research is conducted, we cannot discount the possibility that successful organizations are more likely to offer WLB practices, and that the practices themselves are not exerting any favorable effect on organizational performance. Instead, it might simply be that organizations offering WLB practices are more predisposed to engaging in high-quality management practices and that this approach usually generates a positive effect on employees and performance outcomes. Thus, we can surmise that improved firm performance is a result of effective management usually associated with the implementation of WLB policies in the workplace, and not solely because of WLB per se.

INTRODUCTION (PROBLEMS AND ISSUES)

Why is it important to understand the relationship between work-life balance (WLB) and firm performance? Reviewing past literature identifies benefits such as higher employee satisfaction and productivity, diminished absenteeism, and stress levels along with better recruitment and retention rates. Nevertheless, there are costs to implementing WLB initiatives and it is paramount for business organizations to identify the actual benefits to justify the investment costs in said policies. Firms may encounter difficulties in measuring the net effect of WLB policies as the costs are easier to calculate than its touted benefits. Even without WLB policies, costs and externalities related to conflicts between personal lives and work still occur. These “costs” are borne by the businesses in the form of reduced productivity and by employees via poor relationships with family and communities. Therefore, it makes great sense to study and measure if there is any positive or even negative relationship between WLB and firm performance.

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The Relationship Between Work-Life Balance (WLB) and Firm Performance

WLB is said to influence firm performance in several ways. Employers are able to attract better hires by providing WLB policies together with competitive remuneration packages especially in a tough labor market. WLB policies can also minimize costs by raising staff retention rates and enhancing productivity. There are several theories with regards to the connection between WLB and productivity. Some argue these policies may reduce the negative spillovers from employee lives, thus leading to increased productivity levels. In addition, WLB policies also limit extended work hours practices and, to a certain level, fatigue, which is negatively correlated to productivity. Other arguments suggest an exchange framework where employees offer the ‘gift’ of discretionary effort in return for the ‘gift’ of WLB policies, thus increasing productivity. WLB policies also reduce stress and promote a safer and healthier workplace environment by mitigating fatigue, thus reducing the possibility of accidents at the workplace.

There is clear evidence of substantial benefits of WLB towards firm performance highlighted in many case studies; however, most of these are context specific so they cannot be used for generalization of this topic. The most common approach used by researchers is to evaluate WLB practices via a business case lens. There is no “one size fits all” case study for WLB. Unfortunately, larger and more comprehensive econometric studies are “few and far between”, but those that do exist do find a correlation between productivity and the existence of WLB policies. Therefore, the evidence of the advantages of WLB policies towards firm performance is reasonably strong and growing.

RELATED CONCEPTS AND VARIABLES

Managerial Support (MS)

Young and Jordan (2008) provides evidence that top management support is critical for project success. There are implications for practice as conventional technical and project management advice has a lesser impact on project success than previously determined. As such, the Board and top managers will have to agree that they project a much larger influence on the success or failure of any project. Furthermore, they are responsible for upholding the ethical values, forming the reward and control system and promoting cohesive employment relationships (Valentine, Greller, & Richtermeyer, 2006). Thus, when top management stresses ideals such as fairness and equal employment opportunities and seriously implement these initiatives, employee commitment will increase and also demonstrate that they are a socially responsible employer.

Work Life Balance (WLB)

Burke (1995) states the work-leisure dichotomy was introduced around the mid-1800s. According to Krassner (1963), anthropologists use a definition of happiness which meant having little to no separation “between work and play”. The term WLB was first used in the United Kingdom in the late 1970s, describing the balance between a person’s work and his or her private life, while in the USA it was first used in 1986.

WLB reduces the stress that is experienced by employees. Spending a large portion of their days on work causes employees to feel they are neglecting the other important elements of their lives. This usually results in undue stress and unhappiness. WLB helps employees to feel that they are paying enough attention to the many facets of their everyday lives. Examples of WLB policies include company-sponsored