

Grand Challenges for Social Science

Nick Bloom, Stanford & NBER

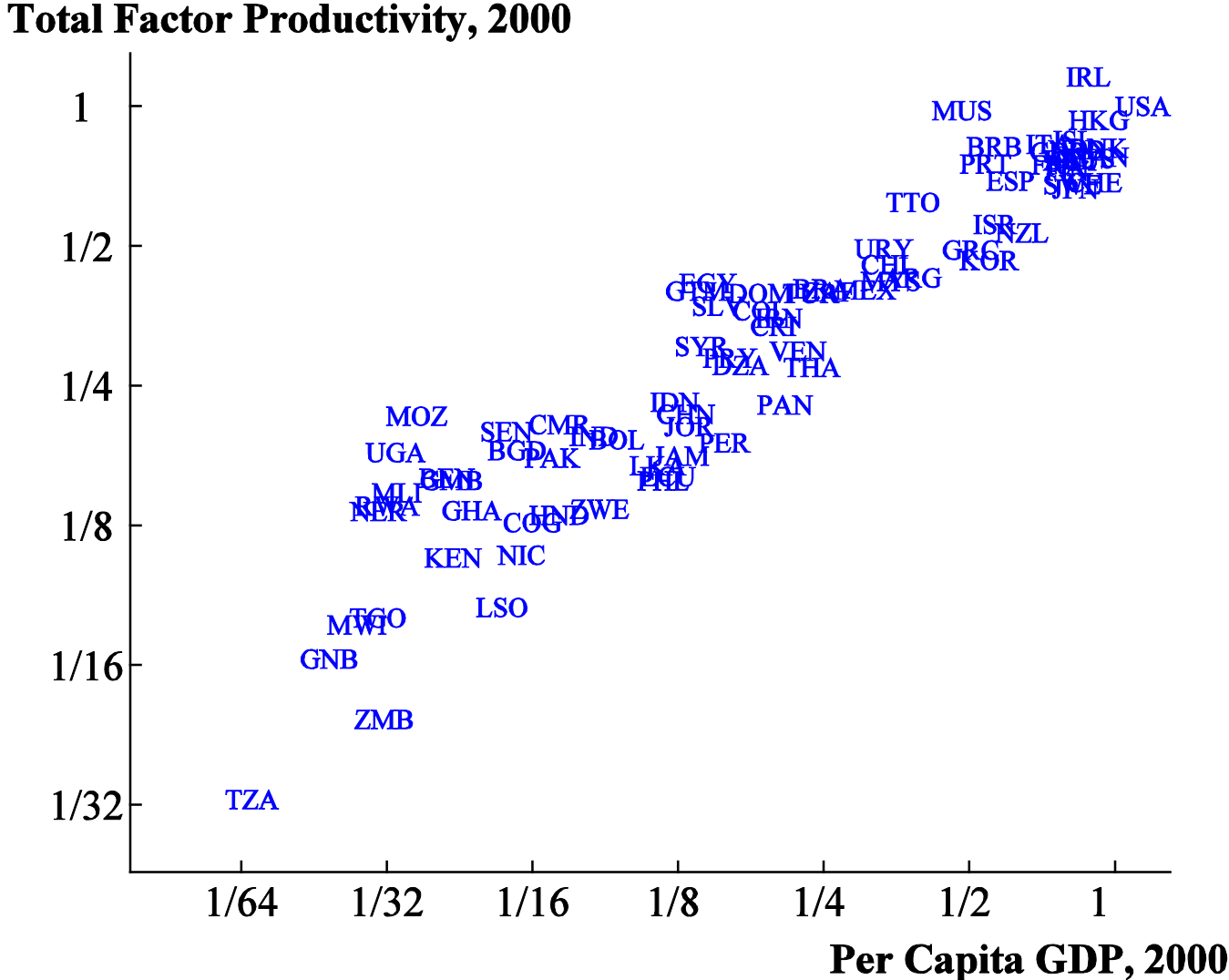


Does management matter for growth and development?

Can we improve work life balance without damaging growth?



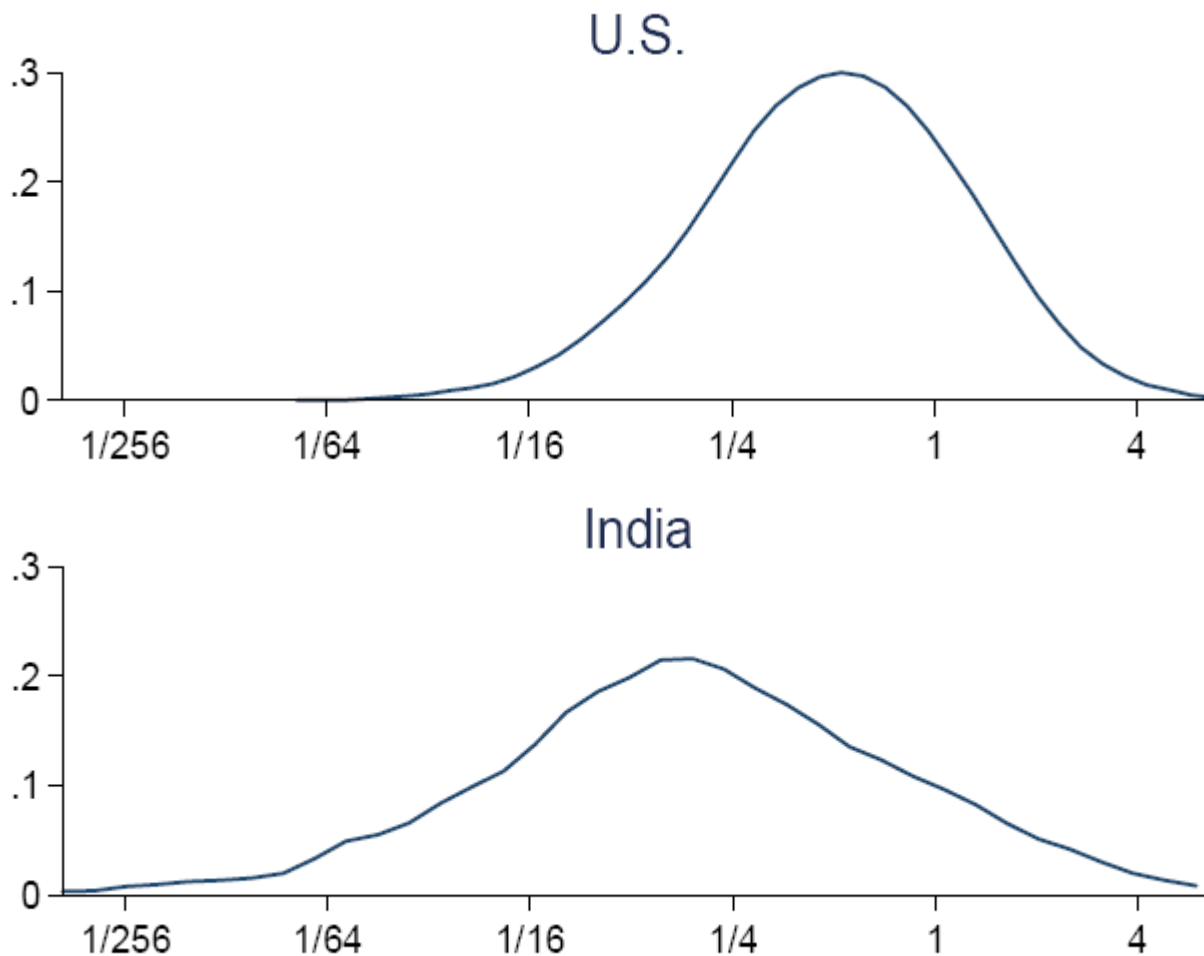
One of the most striking facts in economics is the spread of performance across countries and firms



Source: Jones and Romer (2009). US=1



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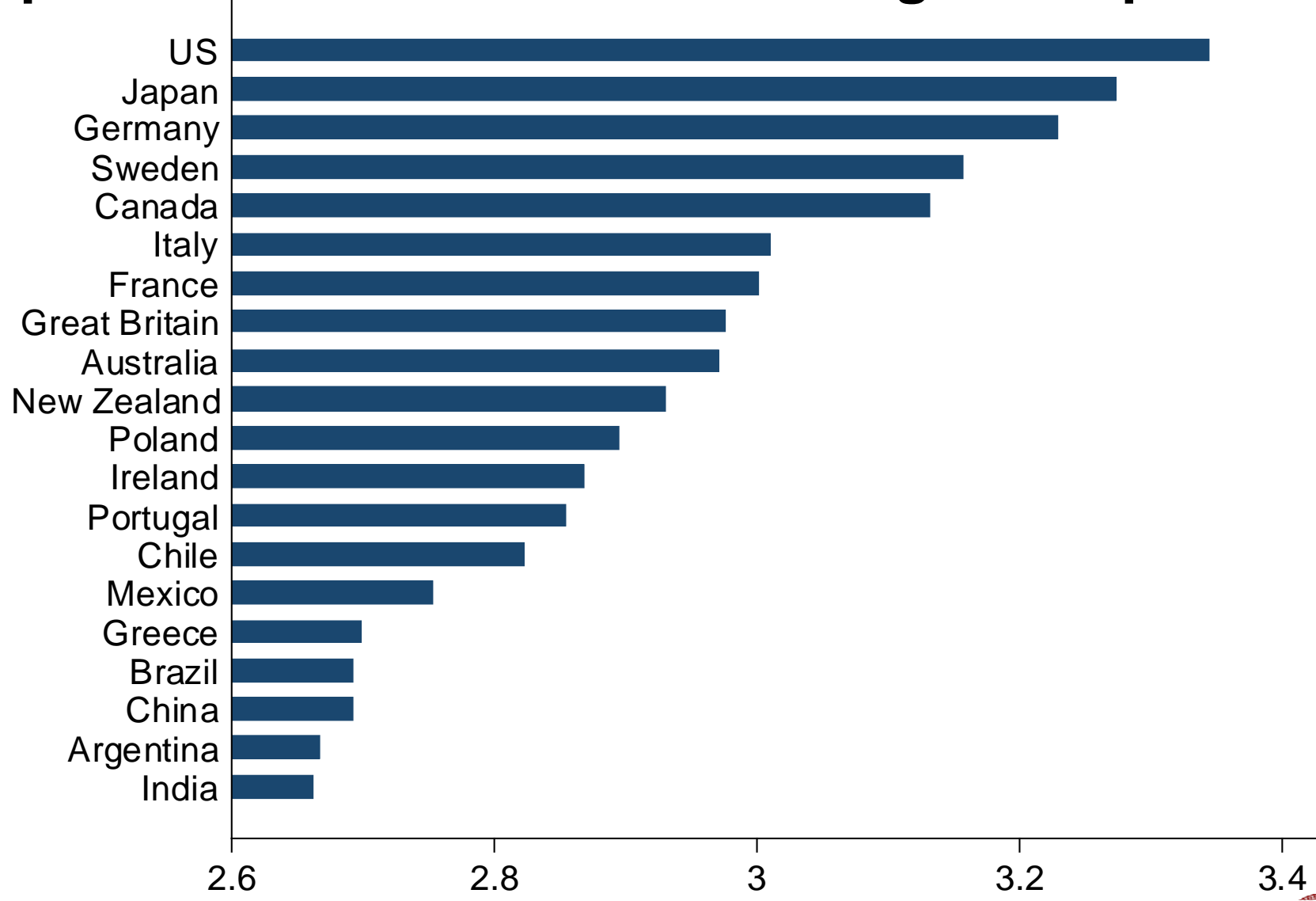


TFP across plants in manufacturing

Source: Hsieh and Klenow (2008); mean=1

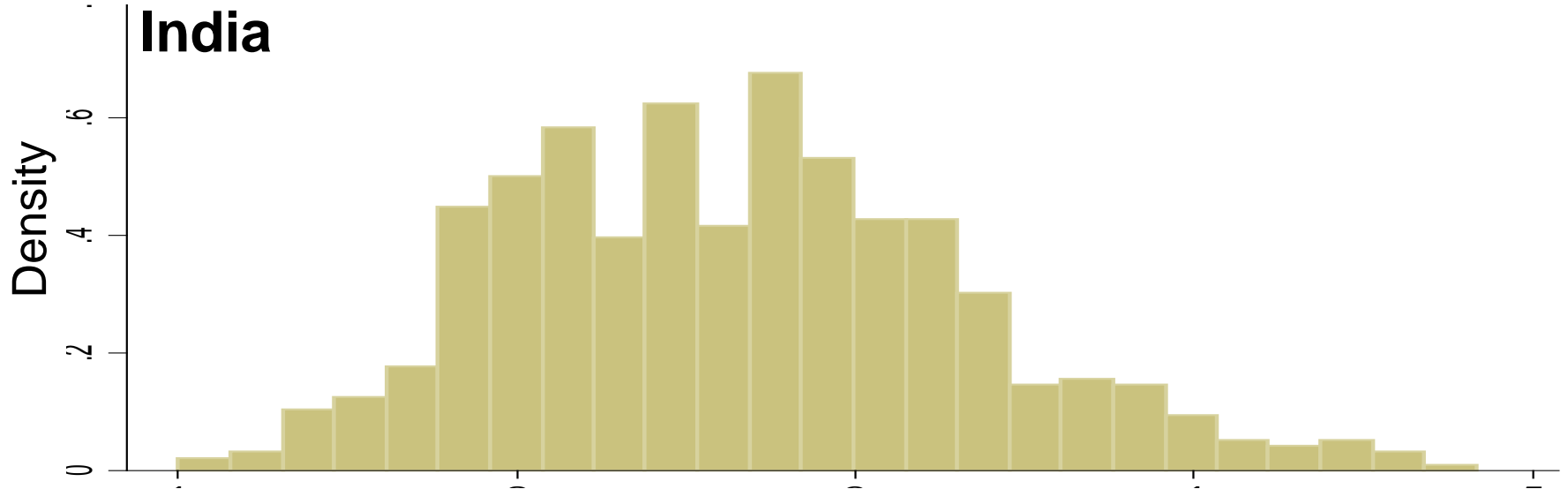
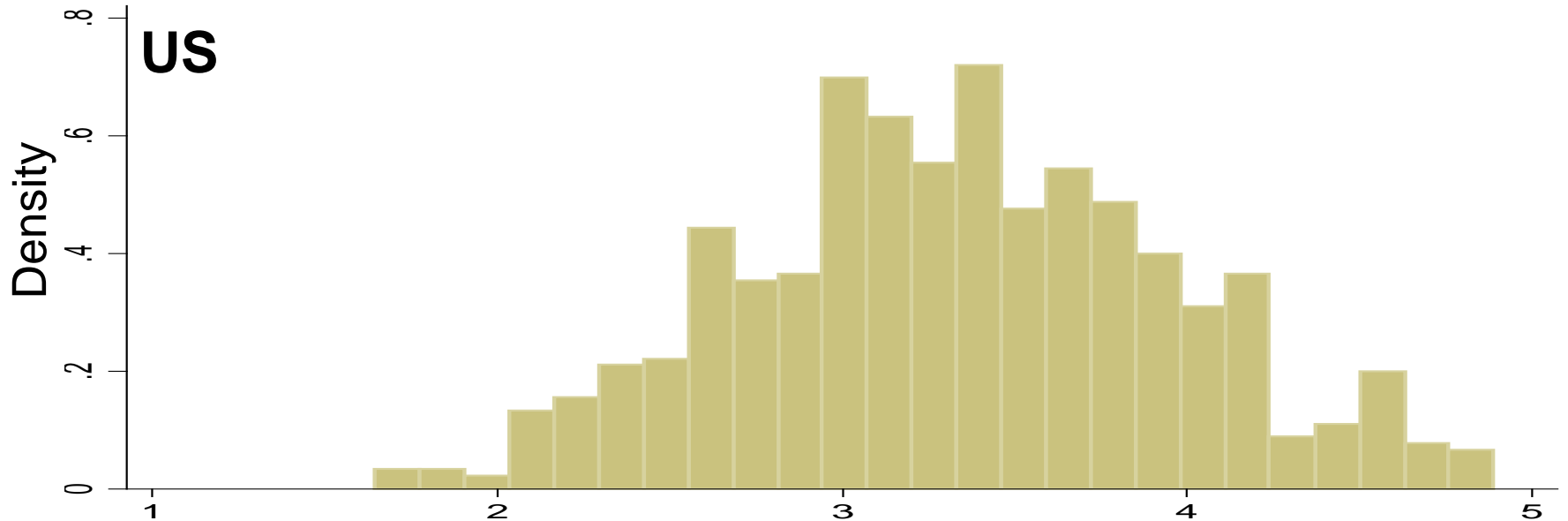


Management could be a factor – rich countries do appear to have much better management practices



Average country management score, manufacturing firms 100 to 5000 employees
(Source: See Bloom and Van Reenen 2010, measures monitoring, targets & incentives)

And the distribution of management practices across firms looks like the distribution of productivity



Firm level management score, manufacturing firms 100 to 5000 employees
(Source: See Bloom and Van Reenen 2010)

But does management really matter?

- The belief it does is long founded – in fact Francis Walker, the founding president of the AEA, highlighted management in his 1887 QJE paper “The source of business profits”
- But the evidence base is frankly very weak, because of the reliance of evidence on case-studies and surveys
- Syverson’s (2010) productivity survey stated on management

“Perhaps no potential driver of productivity differences has seen a higher ratio of speculation to actual empirical study than management”



1) So I encourage the NSF to promote research on investigating the *causal* impact of management on performance

This is a massive question given the impact of productivity on growth and development

2) And, I think this needs to exploit the tools of detailed measurement, natural experiments and field experiments



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Policymakers are increasingly thinking about regulating issues around work-life balance

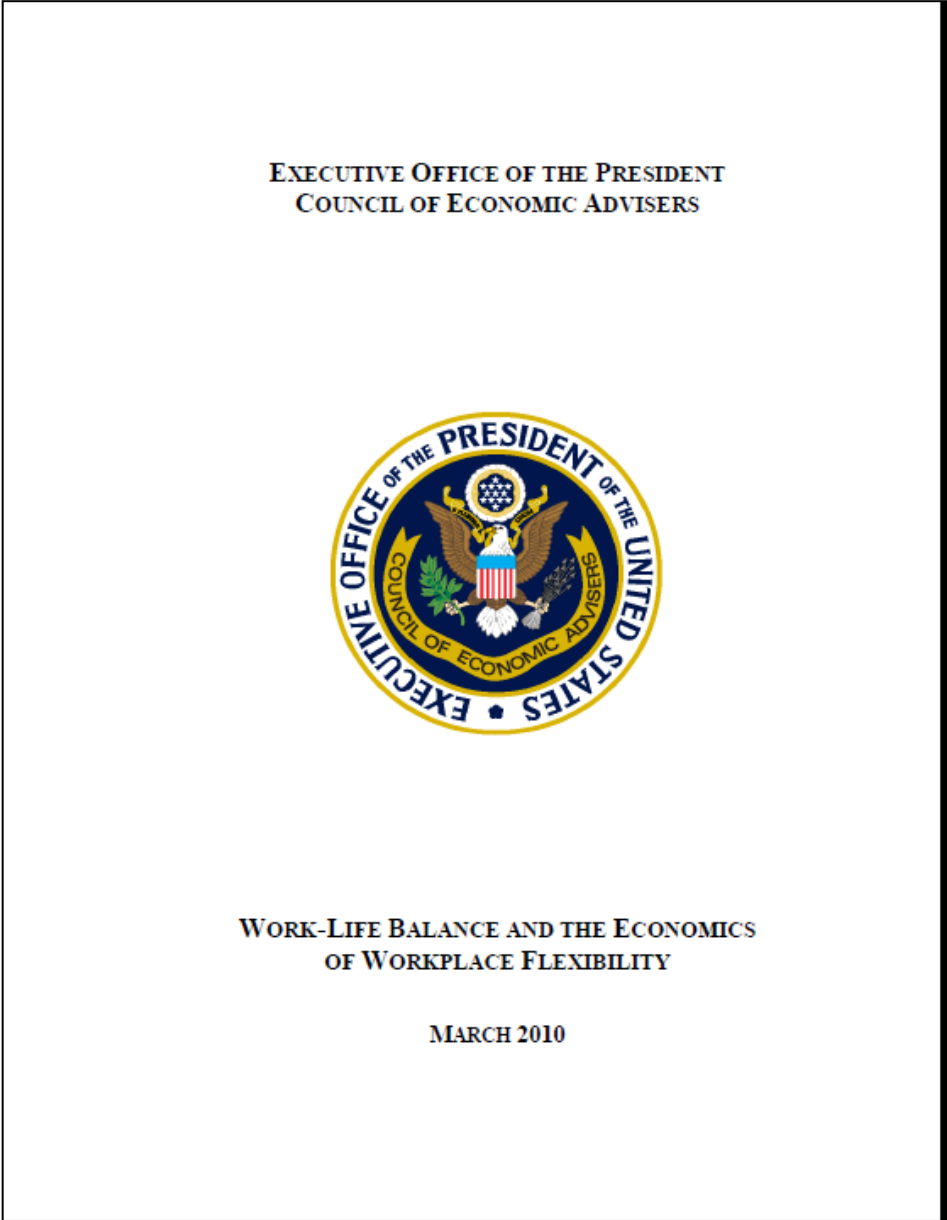
The EU regulates working hours to average 48 hours per week, with some countries (France) restricting this to 35 hours

Many European countries are also increasing maternity and paternity – i.e. Sweden offers 16 months *paid* joint leave

In the US working hours are currently not regulated, and statutory maternity and paternity leave is limited to 12 weeks *unpaid*.

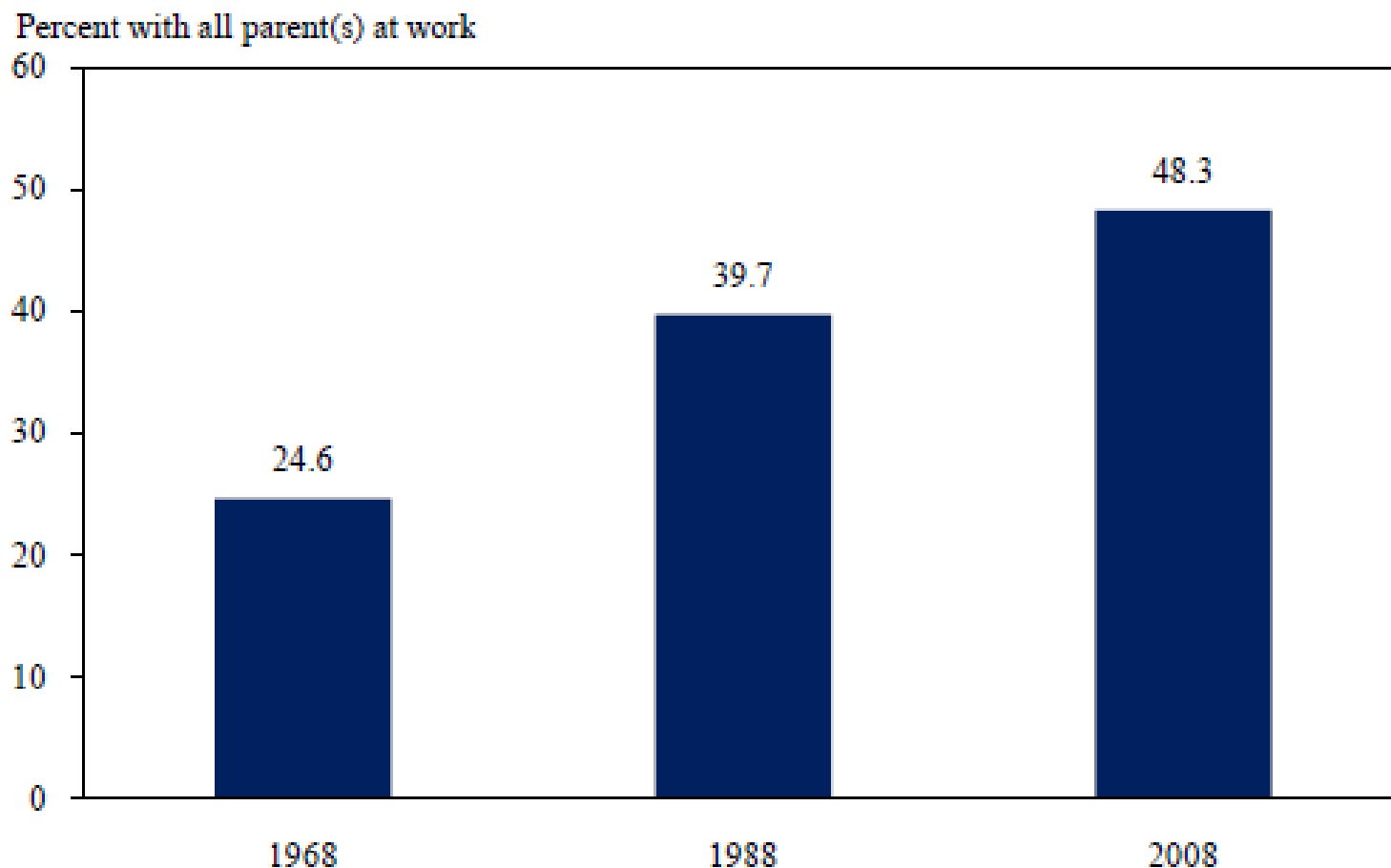


But US policy could change - for example the Obamas launched a CEA report on work life balance



The report highlights that changes in families and the labor market are increasing work-life pressures

Figure 1
Children with All Parents Working Full-time

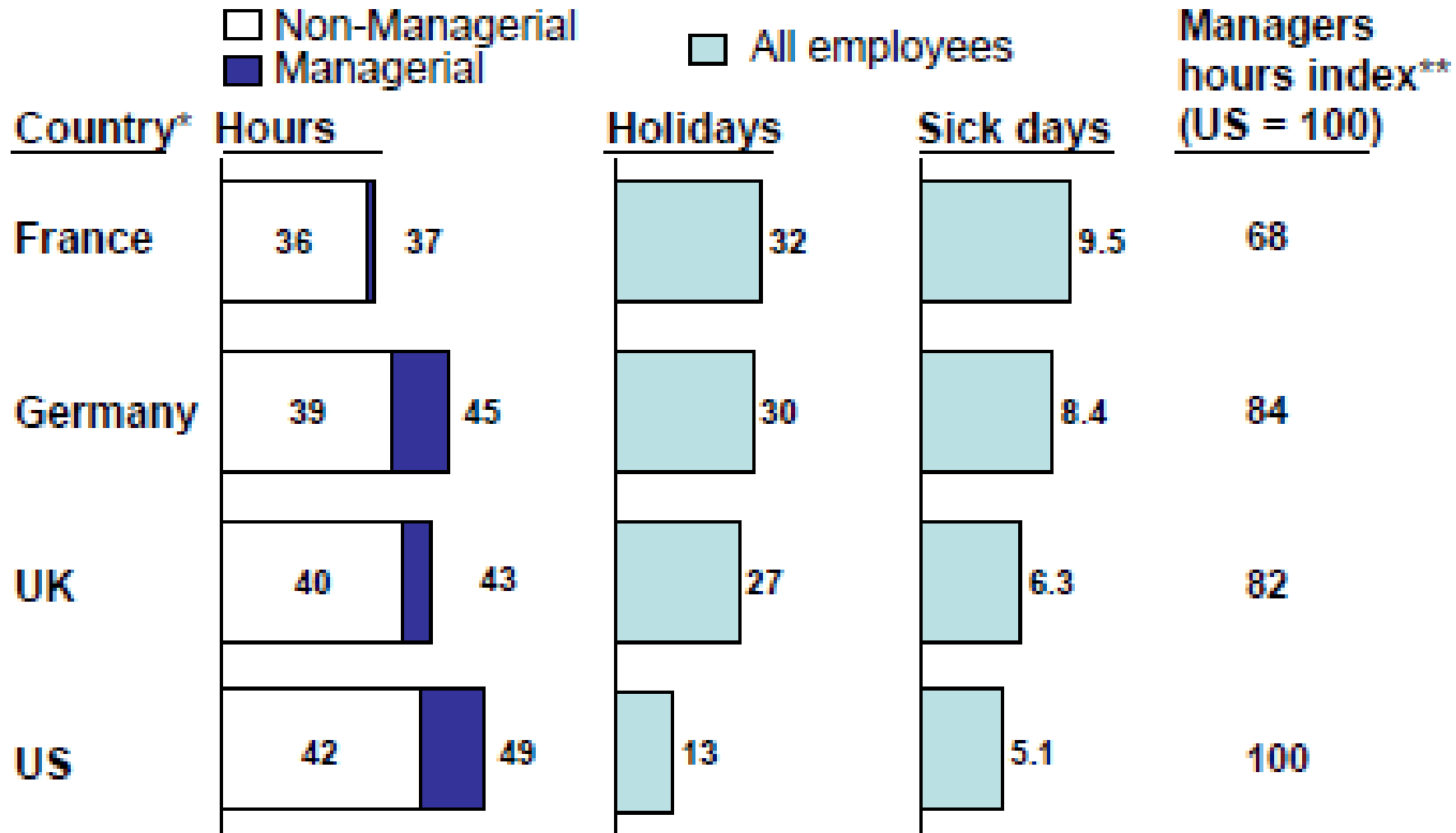


Notes: Full-time workers were employed for at least 14 weeks in the previous year, working at least 35 hours per week. Sample is persons under 18 with at least one parent in the household.

Source: *Current Population Survey*.



Working hours particularly long in the US



Notes: *Country averages, per year except hours which are per week.

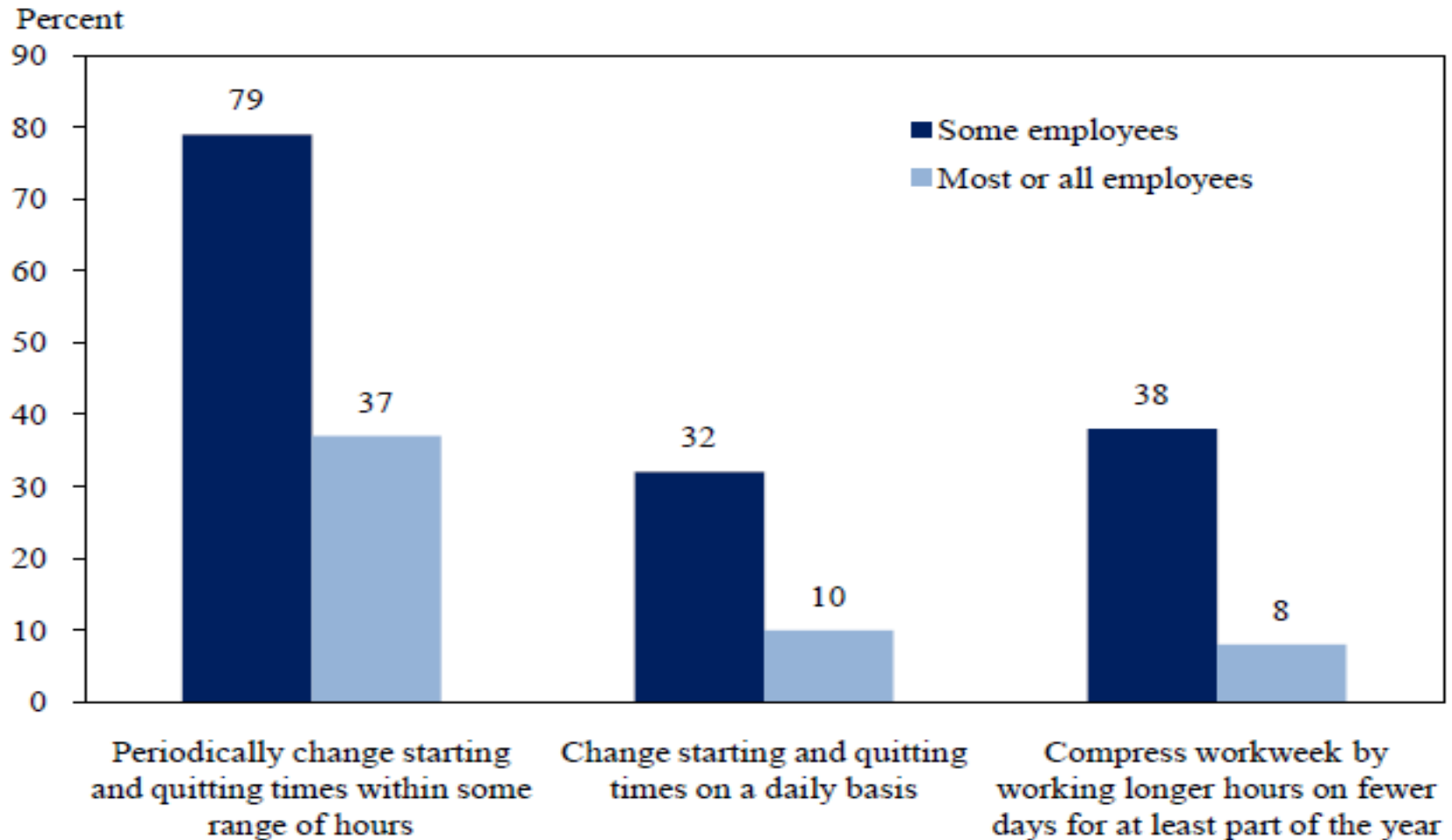
** Average managerial hours. Assumes managers take "All employee" levels of holidays and sick leave, plus take 10 days public holidays per year.



US employers offer limited workplace flexibility

Figure 2

Percent of Firms Offering Either Some Employees or All or Most Employees Selected Workplace Flexibility Benefits, by Benefit Type



Note: Samples restricted to firms with over 50 employees.

Source: 2008 National Study of Employers.

So is this bad – should the US regulate on work life balance?

- Amazingly, it appears nobody really knows
- Having been consulted on the CEA report it was clear the evidence base on this is extremely poor

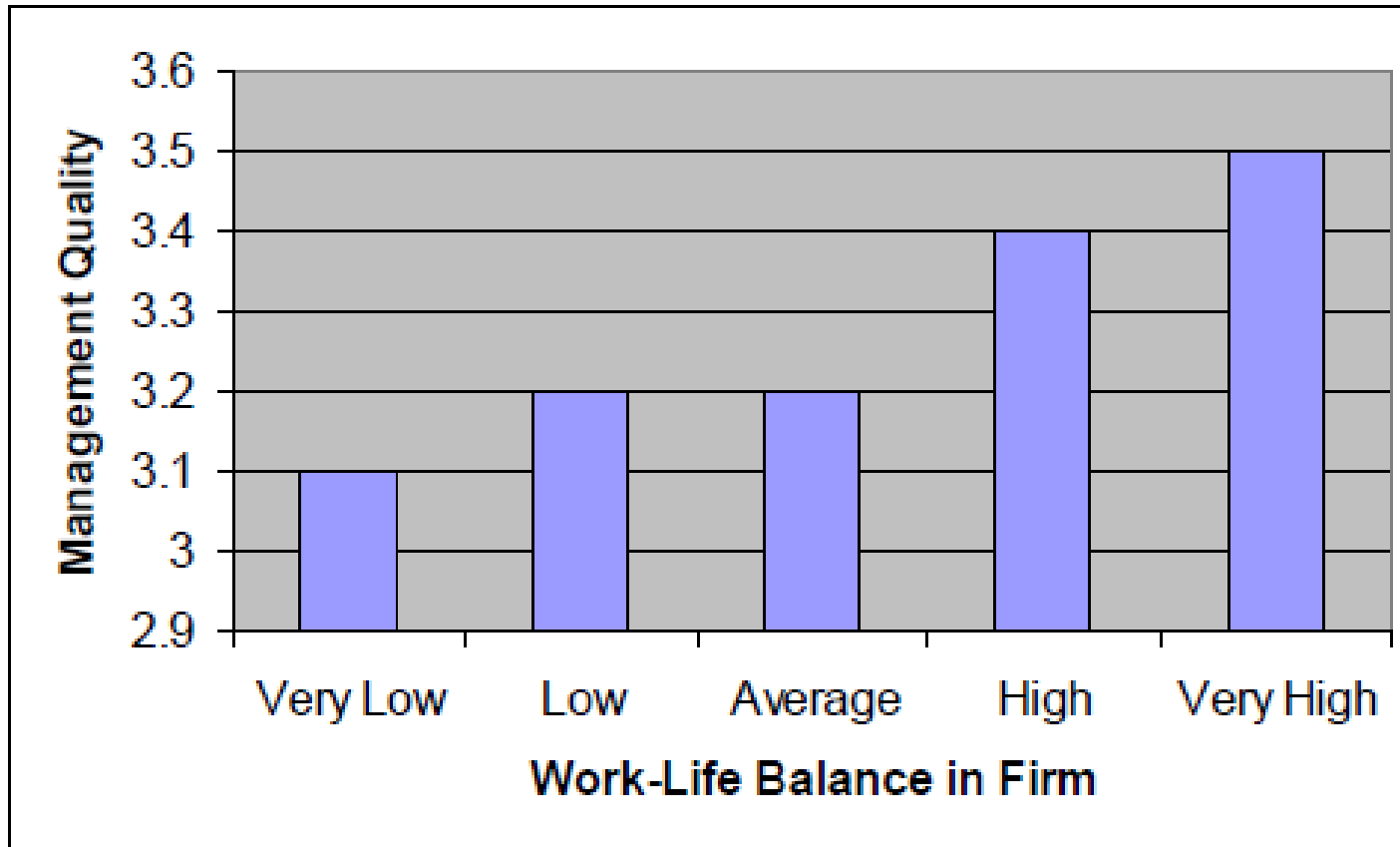
A factor hindering a deeper understanding of the benefits and costs of flexibility is a lack of data on the prevalence of workplace flexibility arrangements, and more research is needed on the mechanisms through which flexibility influences workers' job satisfaction and firm profits to help policy makers and managers alike

Source: Executive summary, CEA report (2010)



The evidence is poor because what currently exists is again case study or survey based

Figure 1: The Correlation Between Work-Life Balance Outcomes and Management Practices



Bloom, Kretschmer and Van Reenen (2010), "Worklife balance, management practices and productivity", in "International differences in business practices" Freeman and Shaw, published NBER

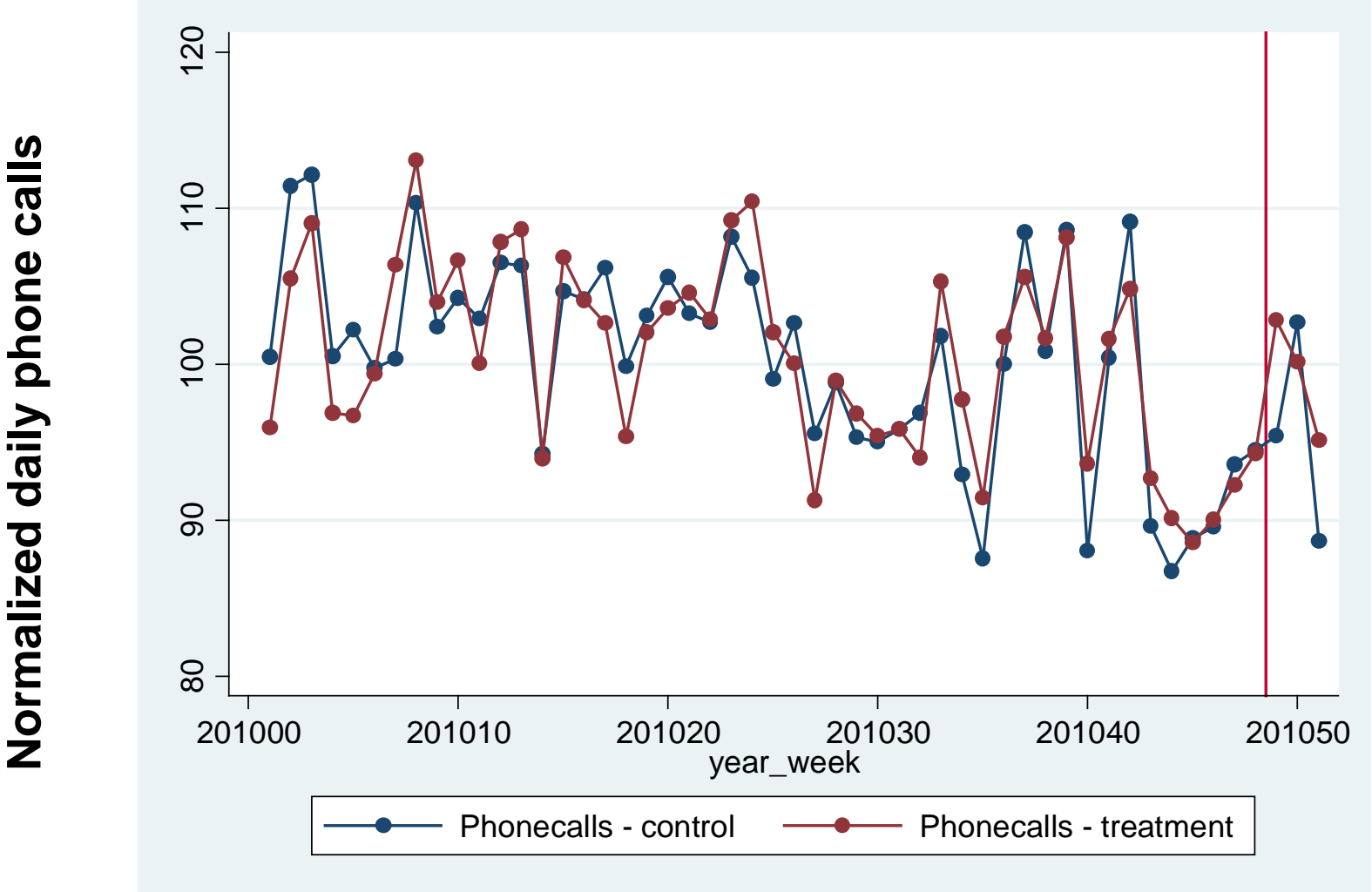


Given these policies impact millions of people and firms, building an evidence base is essential

- I suggest using measurement, natural experiments or field experiments to evaluate the causal impact of WLB policies
- An example is an experiment I'm running on a 10,000 employee Chinese firm, randomizing whether individual employees are allowed to work from home and part time (note this is fully funded)



So far we find no productivity impact and some (initial) drop in attrition – but its only one firm, in only one industry, in China.



1) I encourage the NSF to support research to fill a major gap in an important policy area - the *causal* impact of work-life balance measures

2) Again, I think this needs to exploit some of the tools of economics, around measurement, natural experiments and field experiments.

