Improving the work-life balance plays a key role in securing the supply of skilled labour – also in the German SME sector. Nearly two thirds of SMEs have already implemented specific measures to create more family-friendly working conditions. Large enterprises are significantly more active in this regard than smaller ones.

There are also sharp differences between individual sectors. R&D-intensive manufacturing and knowledge-intensive services are spearheading the move. Here, information and communication technologies enable greater flexibility of work processes in terms of time, space and content. More than one third of SMEs in these sectors expect digitalisation to bring about a better balance between work and family life. In areas dominated by manual tasks requiring physical presence, such as traditional manufacturing, the building trades or retail trade, there is more cautious optimism and the share of enterprises with family-friendly working conditions is lower.

Flexible working hour arrangements top the list of measures being implemented with the aim of balancing work and family life. More than four in ten SMEs have adopted this approach. Around one quarter of SMEs enable their employees to work from home. What is rather less common so far is support in the provision of childcare, for example in the form of a company kindergarten or collaboration with a family service provider. Caring for sick or elderly family members is another topic that is hardly being addressed by SMEs. Legal provisions exempt smaller enterprises from the obligation to give their employees leave of absence to care for family members for a limited period of time. Especially against the background of the still low share of women in management positions in SMEs, there is also further potential for directly promoting female employees.

The majority of SMEs that have implemented specific measures for a better work-life balance are convinced that this helps them attract and retain staff in the long term. They also see positive effects on work satisfaction and, in part, on productivity. Negative effects, such as coordination problems and high costs, are relevant in just one quarter of SMEs that are committed to family-friendly working conditions.

Enterprises that have not yet taken any measures to improve their employees’ work-life balance often show only a weak orientation to growth. They innovate and invest less and are less likely to expect turnover increases. In these companies, attracting and retaining workers fades into the background as a key motive for taking steps to improve their work-life balance. In many cases, operational conditions hardly allow flexible working hours and workplaces. Support from policymakers is therefore all the more important here – among other things by further expanding demand-oriented and affordable ways to care for small and primary school children.

Balancing work and family life is a way to ease the skills shortage

For the vast majority of parents of the approx. 13 million minor age children in Germany, family comes first, way ahead of friends or work. At the same time, around 92% of fathers and 68% of mothers are employed. For many of them, balancing work and family life is a great challenge. The same is true of the 2.5 million people caring for sick or elderly relatives. Only one third of them are in employment and one quarter have had to reduce or give up their work completely due to care responsibilities.

An improved work-life balance would benefit not just parents and family members caring for relatives. It could also benefit the economy, especially the labour market. In particular, a better balance between family duties and work can help increase the number of mothers taking up employment or increasing their working hours.

After all, despite an increase of 8 percentage points since 2006, the labour force participation of mothers in Germany is still at a rate of 68%, much lower than in Scandinavia and the Benelux countries, where it even exceeds 80%. Furthermore, the share of working mothers working fewer than 30 hours per week is above the European average. In addition, an improved work-life balance can positively affect the birth rate, slowing the decline in the population and thus the labour force potential.
with 50 and more employees are committed to creating family-friendly working conditions, compared with 57% of enterprises with fewer than five employees.\(^7\)

this area than smaller ones. Specifically, some 95% of SMEs (Figure 1). Larger enterprises are significantly more active in promoting female employees.

\[0\% \ 20\% \ 40\% \ 60\% \ 80\% \ 100\% \]
\[0\% \ 20\% \ 40\% \ 60\% \ 80\% \ 100\% \]

\[57\% \ 73\% \ 85\% \ 90\% \ 76\% \ 65\% \ 52\% \ 70\% \ 57\% \ 63\% \]
\[Fewer \ than \ 5 \ FTEs \ 5 \ to \ fewer \ than \ 10 \ FTEs \ 10 \ to \ fewer \ than \ 50 \ FTEs \ 50 \ or \ more \ FTEs \ R&D-intensive \ manufacturing \ Other \ manufacturing \ Construction \ Knowledge-intensive \ services \ Other \ services \ Total \ SMEs\]

Note: Share of SMEs with at least one employee that have adopted one or more workplace policies aimed at improving their employees’ work-life balance. Figures extrapolated to the number of enterprises. Size classes based on full-time equivalent employees (FTEs). Data for the year 2018.

Source: KfW SME Panel 2018

In addition to favourable public policies, entrepreneurial commitment is also necessary

In recent years, various laws and government initiatives have contributed to improving the situation for working parents and family carers (see text box). Examples include the legal entitlement to daycare for children over the age of one, which was introduced in August 2013, the Act for a Better Reconciliation of Family, Care and Work (Gesetz zur besseren Ver- einbarkeit von Familie, Pflege und Beruf), which went into effect in January 2015, as well as the company network ‘Success Factor Family’ (Erfolgsfaktor Familie), which was initiated by the Federal Ministry of Family Affairs and the Association of German Chambers of Industry and Commerce.

Businesses – particularly the approx. 3.8 million SMEs, which employ more than 70% of Germany’s workforce – play a key role in this.\(^5\) They can play a part in improving the balance between work and family life beyond the legal requirements – and even benefit themselves in the process. Empirical studies suggest that family-friendly working conditions can lead to greater work satisfaction and, thus, to lower absenteeism rates, greater worker retention and higher productivity.\(^6\)

A representative survey conducted by KfW Research shows what SMEs in Germany are doing to make it easier for their employees to balance their work duties with family commitments, how they benefit from these efforts and where they see difficulties.

Two thirds of SMEs are taking steps to improve the balance between work and family life

Some 63% of all SMEs have thus far adopted workplace policies designed to improve their employees’ work-life balance (Figure 1). Larger enterprises are significantly more active in this area than smaller ones. Specifically, some 95% of SMEs with 50 and more employees are committed to creating family-friendly working conditions, compared with 57% of enterprises with fewer than five employees.\(^7\)

It is probably easier for companies with a larger workforce to offer flexible or reduced working hours and still ensure their proper operation. Some measures, such as establishing a company kindergarten, involve high fixed costs and are only worthwhile if the company has enough employees with kindergarten-age children. The same applies to creating an IT infrastructure that allows employees to work from home or to designing and implementing programmes aimed at promoting female employees.

In addition to company size, the sector in which the company operates also plays an important role. Workplace policies aimed at improving employees’ work-life balance are particularly common in R&D-intensive manufacturing and in knowledge-intensive services while less frequent in the construction sector. This is true regardless of differences in company size, the share of female employees, the skills structure and other company characteristics. An important reason for this is probably the fact that tasks performed in the construction sector usually require a physical presence and are more likely to be tied to fixed working hours than, for example, the completion of a tax return or the preparation of a legal opinion. But it is primarily through flexible working hours and home office solutions that SMEs are enabling an improved work-life balance for their employees.

More female employees often means greater commitment to work-life balance

In Germany, as in other OECD countries, women in two-parent families still perform the bulk of unpaid work – even when both partners work full-time. Very few families share their responsibilities in childcare or housework equally.\(^8\) Balancing work and family life is therefore particularly relevant for women.

Indications of a positive correlation between the percentage of female employees and the adoption of workplace policies designed to improve work-life balance can also be found in the SME sector. In this regard, a high proportion of female employees is likely to be both the cause and the result of family-friendly working conditions. To be more specific, around 19% of SMEs with more than 60% female employees report that their employees often ask for options that improve their work-life balance but that share is only 9% in SMEs with fewer than 20% female workers. At the same time, SMEs with family-friendly working conditions attract a particularly high number of female jobseekers, while SMEs with rather inflexible working hours are unable to retain female employees with children in the long term.
A similar link can be seen between the proportion of highly skilled employees and the adoption of workplace policies designed to better reconcile work and family life. The likelihood of working full-time significantly increases with the level of education, especially for mothers. Flexible working hours and the option to work from home are therefore all the more important.

**Flexible working hours are among the most common policies being implemented**

Working time accounts, flextime models, trust-based working hours and other flexible working arrangements are currently being offered by around 45% of all SMEs, which means they are the most common policies already being implemented (Figure 2). A similar share of SMEs accommodate parents’ needs in scheduling annual leave and rosters. Not only the scheduling but also the number of working hours is flexible in some SMEs. Around one in five SMEs offer part-time working arrangements that go beyond the legal requirements (see text box).

**One quarter of SMEs offer workplace flexibility**

Around 27% of SMEs contribute to balancing work and family life by offering their employees workplace flexibility, for example by enabling them to work from home. Tasks that involve heavy use of information and communication technologies are particularly suitable for this. The share of SMEs that allow their employees to perform all or part of their work from home is therefore particularly high in the knowledge-intensive services sector. Here the share is above 42%, while in the construction sector it is only 10%.

How valuable the opportunity to work from home is from the employee’s point of view has been outlined by a study commissioned by the Federal Ministry of Family Affairs, Senior Citizens, Women and Youth. According to the study, 93% of working parents who also work from home report that this makes it easier for them to balance work and family life. They save an average of 4.4 hours a week in commuting time, most of which they spend with their children.

**Businesses can benefit from offering professional training during parental leave**

Parental leave combined with parental allowance (“Elterngeld”) are designed to help employees start a family. But getting back into the workforce is often a bumpy road. Some SMEs make it easier for their employees to return from parental leave, for instance by offering them professional training during or after their break. Overall, 16% of SMEs have measures in place that make it easier for their workers to return to the workplace. In larger SMEs with 50 or more employees, that share even rises to 64%.

Studies based on linked employer-employee data show that they do this for good reason. After all, mothers return to work much sooner after giving birth if their employers offer professional training during parental leave. And returning to work sooner reduces the costs of induction, training or reduced performance that result from longer periods of absence. The new parental allowance (“Elterngeld Plus”) which the German government has offered since January 2015, is designed to provide a greater incentive to return to work by making it more attractive to work part-time while receiving parental allowance.

**Childcare services are rather uncommon in SMEs**

So far, a mere 6% of all SMEs offer company kindergartens, child-minder services, family support services, parent-child offices, grants towards childcare costs or other support for childcare. Company kindergartens are particularly rare. In March 2019, a mere 742 of the nearly 57,000 child daycare facilities in Germany were for children of company employees. Given that the demand for child daycare continues to exceed the supply, a company kindergarten can be a major

Figure 2: SMEs focus primarily on flexible working hours

<table>
<thead>
<tr>
<th>Policy</th>
<th>Share of SMEs</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flexible working hours</td>
<td></td>
<td>45%</td>
</tr>
<tr>
<td>Considering parents when planning holidays</td>
<td></td>
<td>43%</td>
</tr>
<tr>
<td>Workplace flexibility</td>
<td></td>
<td>27%</td>
</tr>
<tr>
<td>Part-time options</td>
<td></td>
<td>20%</td>
</tr>
<tr>
<td>Facilitating return to work after parental</td>
<td></td>
<td>16%</td>
</tr>
<tr>
<td>leave</td>
<td></td>
<td>9%</td>
</tr>
<tr>
<td>Targeted promotion of female employees</td>
<td></td>
<td>6%</td>
</tr>
<tr>
<td>Support when family members in need of care</td>
<td></td>
<td>3%</td>
</tr>
<tr>
<td>Actively encouraging fathers to take parental leave / work part-time / work from home</td>
<td></td>
<td>3%</td>
</tr>
</tbody>
</table>

Note: Share of SMEs with at least one employee that have adopted or are planning to adopt the relevant workplace policy with a view to improving work-life balance. Figures extrapolated to the number of enterprises. Data for the year 2018.
competitive advantage in attracting skilled workers. However, the financial and organisational effort involved is huge and will likely overwhelm smaller businesses in particular. Other options, such as hiring family service providers or leasing daycare places, involve much less effort and could be used even more by SMEs.

Only few businesses offer support for employees with family members in need of care
So far, SMEs are paying little attention to the issue of caring for sick or elderly family members. Only around 6% of SMEs offer their employees support in this area, for instance in the form of advice or time away from work. A further 4% are planning to implement such measures in the short term.

Only businesses with more than 15 employees are legally required to grant employees a longer period of time away from work to care for close relatives (see text box). When demographic change advances and the working population continues to age, however, the interest in receiving such support will grow in the long term. After all, the older the employees are, the more likely it is that they have to look after relatives in need of care, such as their parents or their spouse. Already in 2016, around 21% of employees in SMEs were over the age of 54 – and the trend is rising.¹⁶

Need to catch up on gender equality
The Global Gender Gap Report recently found that Germany is one of the ten most advanced countries in the field of gender equality. However, in the specific field of economic participation of women, Germany ranks only 48th of 153 countries.¹⁷ This is due not least to the gender pay gap and the low share of women in leadership positions.

In SMEs, the share of female managers remains low as well, although it is higher than in many DAX enterprises. Only around 16% of all SMEs have a woman at the top.¹⁸ Still, targeted promotion of female employees takes place in fewer than one in ten SMEs. And not even one in 20 SMEs encourage fathers to take parental leave, work part-time or work from home (Figure 2). SMEs could do much more in this area.

Legal regulations on balancing work and family life
- Under the German Parental Allowances and Parental Leave Act, parents are entitled to take up to three years of leave from work to care for and raise their children under the age of eight years. This entitlement is independent of company size. During parental leave, the employer is not required to pay a salary. However, special dismissal protection applies.

- Under certain conditions, employees who are on parental leave are entitled to part-time employment of 15 to 30 hours per week. However, this applies only to enterprises with more than 15 employees and only if there are no compelling operational reasons against part-time employment.

- The German Part-Time and Fixed-Term Employment Act regulates employees’ entitlements to a reduction in working hours irrespective of any care responsibilities. However, the entitlement to unlimited part-time work only applies to companies with more than 15 employees. The entitlement to temporary part-time work between one and five years (known as the bridging part-time work scheme) applies only to enterprises with more than 45 employees. Employers can deny part-time work for operational reasons, for example when it significantly impairs the organisation, workflow or safety of operations.

- The German Act for a Better Reconciliation of Family, Care and Work, the Caregiver Leave Act and the Family Leave Act regulate the conditions under which employees can take leave to care for close relatives. Irrespective of the size of the enterprise, employees are entitled to take leave from work for up to ten working days in the event of a specific care situation. Under the Caregiver Leave Act, enterprises with more than 15 employees must grant their workers leave in full or in part for up to six months. Only companies with more than 25 employees are required to offer up to 24 months of leave under the Family Leave Act. Here as well, employees have special dismissal protection.
Securing skilled workers is a key motive for family-oriented human resources policy

Family-friendly working conditions are mostly in the interest of employees – nearly 32 million in the German SME sector. But they also offer value added for enterprises, enabling them to score points in attracting skilled labour. Around 53% of SMEs that have already adopted workplace policies designed to better balance work and family life agree that they help them attract new workers (Figure 3). An even larger proportion of 58% of enterprises that are active in this area see family-friendly working conditions as a tool for retaining workers in the long term.

Securing skilled labour is thus a key motive in designing family-friendly working conditions. This is also evident in the fact that SMEs which expect difficulties in finding skilled workers in the coming years are much more active in balancing their employees’ work and family life. More than 71% of these companies have already implemented relevant policies – compared with 58% of companies that do not expect any difficulties and 50% of enterprises that do not expect a need to fill positions with skilled workers.19

More than half of SMEs see higher work satisfaction as a result of an improved work-life balance

The majority of SMEs that have adopted workplace policies aimed at improving work-life balance have found that their employees have higher satisfaction levels. In addition, some 39% of SMEs that have family-friendly working conditions in place are convinced that they reduce absenteeism rates and sick days. It may be the case that these employees are less often forced to call in sick in order to care for a sick child. At the same time, work satisfaction is likely to rise overall when it is easier to reconcile work and family life. And according to various empirical studies, higher work satisfaction can in turn positively impact on a company’s productivity.20 Many SMEs hold the same views. Roughly 42% of enterprises that offer flexible working hours, work-from-home arrangements or similar schemes see productivity gains as a result.

Family-friendly human resources policies thus benefit employees and employers alike. SMEs see pressure from employees as only a secondary motive for implementing family-friendly working conditions. What is interesting here is that only 7% of all enterprises that have not yet adopted any measures to balance their employees’ work and family life see a need for such measures on the part of their workers. A major reason for this is probably that employees vote with their feet. Those for whom flexible working hours are important but not possible at their current workplace will sooner or later move to a more family-friendly employer.

Coordination problems and high costs are perceived as negative aspects

From an employer’s point of view, however, an improved work-life balance has not only advantages. More than one quarter of all companies that have adopted such measures see them as a reason for increased coordination problems and more difficult workflows. Almost the same percentage has stated that a commitment to family-friendly working con-

Figure 3: Long-term retention of employees is one of the main motives

<table>
<thead>
<tr>
<th>Operational measures to reconcile work and family life</th>
<th>At least one measure in place</th>
<th>No measures in place yet</th>
<th>Total SMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>... to retain personnel long-term</td>
<td>58</td>
<td>23</td>
<td>46</td>
</tr>
<tr>
<td>... to improve the mood in the team</td>
<td>56</td>
<td>23</td>
<td>45</td>
</tr>
<tr>
<td>... to help attract new employees</td>
<td>53</td>
<td>22</td>
<td>42</td>
</tr>
<tr>
<td>... to improve the productivity of the company</td>
<td>42</td>
<td>20</td>
<td>34</td>
</tr>
<tr>
<td>... to decrease absentee / sick days</td>
<td>39</td>
<td>14</td>
<td>30</td>
</tr>
<tr>
<td>... often requested by employees</td>
<td>19</td>
<td>7</td>
<td>15</td>
</tr>
<tr>
<td>... lead to coordination problems or make work processes difficult</td>
<td>27</td>
<td>20</td>
<td>25</td>
</tr>
<tr>
<td>... cause high costs</td>
<td>24</td>
<td>19</td>
<td>22</td>
</tr>
</tbody>
</table>

Note: Percentage of SMEs with at least one employee who agree with the statement depending on whether they have adopted at least one measure aimed at balancing work and family life. Figures extrapolated to the number of enterprises. Data for the year 2018.

Source: KfW SME Panel 2018
The issue of a work-life balance is likely to gain in importance

Nearly half of all SMEs see the growing skills shortage as one of the main risks to Germany’s growth and prosperity. SMEs are more concerned with this than with virtually any other issue. The number of job vacancies has grown by 45% between 2014 and 2018 and forecasts expect the working age population to decline by 3.9 million to 45.9 million people by the year 2030. Family-friendly working conditions will therefore become even more significant as enterprises compete for skilled workers in the future – also because a sound balance is becoming increasingly important for fathers as well.

Digitalisation opens up new opportunities

At the same time, digitalisation offers potential for further improving the balance between work and family life, both in personal and professional contexts. Growing interconnection and increased use of digital technologies which enable access to relevant information from nearly anywhere provide opportunities particularly in knowledge-intensive sectors. SMEs in the knowledge-intensive services sector and R&D-intensive manufacturing are therefore optimistic. In these sectors, around one in four enterprises expect digitalisation to make it easier to implement family-friendly working conditions (Figure 4). In contrast, companies in sectors with a high share of manual tasks, such as wood and metal processing, civil engineering, retail, transport and cleaning services, are less optimistic.

Policymakers also need to provide stimulus

Growth-driven enterprises in particular regard family-friendly working conditions as important advantages in competing for skilled workers and they are putting them in place even beyond what is required by law. Flexibility regarding working hours and location is their first priority. But there is room for improvement, particularly in the area of child daycare and support for employees caring for close relatives. Many SMEs could also do more to foster gender equality. This includes, in particular, encouraging fathers to embrace a partnership-based division of responsibilities.

Some enterprises, particularly smaller ones, are generally doing too little to balance work and family life – either because attracting new employees is not a priority for them, or because operational conditions make it difficult to introduce flexible working hours or other policies. It is no accident that smaller businesses are exempted from certain legal requirements regarding temporary part-time work or family care leave, for instance.

Policymakers should provide all the more support in this area. A key issue here is the further expansion of demand-oriented and affordable child daycare schemes – not just for toddlers but also primary school children. For example, the opening hours of child daycare facilities are still not compatible with a full-time occupation in retail, nor with shift and weekend work performed by doctors or nurses. The financial incentives for a partnership-based division of work and family duties should also be strengthened. A higher wage replacement rate could make parental leave more attractive for fathers, particularly in lower income brackets, and enable mothers to return to work sooner. Policymakers, however, could also support the cultural shift towards more family-friendly policies in enterprises.

Figure 4: Digitalisation is making it increasingly easier to balance work and family life

Note: Percentage of small and medium-sized enterprises with at least one employee who agree with the statement that digitalisation is making workplace policies aimed at balancing work and family life increasingly easier to implement. Figures extrapolated to the number of enterprises. Size classes based on full-time equivalent employees (FTEs). Data for the year 2018.
Making greater use of Germany’s skilled labour potential is an important building block in addressing the skills shortage. The German Federal Government’s latest Skilled Labour Summit has confirmed this once again. Improving the work-life balance – including in the SME sector – is an important precondition for this.

1 Data from the Federal Statistical Office for the year 2018 based on the German Microcensus. A survey by the Allensbach Institute for Public Opinion Polling found that in 2016, some 79% of the population over the age of 16 regarded the family as their most important area of life. Friends ranked second, at around 10%. Cf. Prognos (2016): Zukunftsrbericht Familie 2030 (Report on the future of the family in 2030 – our title translation, in German), Berlin.


4 Cf. OECD (2017): Dare to share: Germany’s experience promoting equal partnerships in families, Paris.


6 Cf. also Lauber, V., Reiter, S. and Storck, J. (2015): Familienfreundlichkeit in Unternehmen – Status Quo in Deutschland und Forschungsstand (Family friendliness in companies – status quo in Germany and state of research – our title translation, in German), DW Roundup 77, Berlin.

7 The analysis does not take into account self-employed persons without employees, for whom workplace policies to improve work-life balance do not play a role at least on a formal level. In this case, the entrepreneurs only decide for themselves how much they wish to work and when they wish to take time out to look after children or family members in need of care.

8 Cf. OECD (2017), loc. cit.

9 Cf. ibid.

10 Cf. German Federal Ministry for Family Affairs, Senior Citizens, Women and Youth (2019): Zu Hause Arbeiten – Chancen der Digitalisierung für die Vereinbarkeit von Familie und Beruf (Working from home - opportunities through digitalisation to balance work and family life – our title translation, in German), Berlin.

11 Particularly in larger cities, many SMEs have employees who commute for at least 30 minutes. Cf. Leifels, A. (2019): Weniger Fachkräfteprobleme in Großstädten – mehr Pendler und Zugezogene (Fewer problems with skills shortages in large cities – more commuters and new arrivals – our title translation, in German), Economics in Brief No. 181, KfW Research.


21 Representative extrapolated result based on a special survey of nearly 2,000 small and medium-sized enterprises conducted as part of the KfW SME Panel in September 2019. Around 47% of SMEs regard the growing skills shortage as one of the three largest of 13 possible risks to the German economy. The growing skills shortage thus ranks directly behind increasing productivity and global trade conflicts, which 49% of SMEs regard as one of the main risks. For the results of the KfW SME Panel 2018, see Leifels, A. (2019): Many job openings, few job seekers: SMEs expect a shortage of skilled workers, Focus on Economics No. 232, KfW Research.

22 Calculations performed by the Kompetenzzentrum Fachkräftesicherung (Centre of Excellence on Securing Skilled Labour - KOFA) on the basis of the employment survey and special evaluations by the Institute for Employment Research, https://www.kofa.de/fachkraefteengpaesse-verstehen/auf-einen-blick

23 Data from the German Federal Ministry of Labour and Social Affairs. 
