








Smaller organisations and flexible working arrangements

A new study by Shirley Dex and Fiona Scheibl of the Judge Institute of Management, Cambridge University, examines the ways in which small and medium-sized enterprises, with fewer than 500 employees, offer their employees flexibility in hours (reduced hours, term-time only working), start and finish times, and time off for personal and caring emergencies. The study found that:

-  Flexible working arrangements, practiced informally, are far more common in small organisations than is often thought. The organisations approached by telephone to be in this study told the researcher that they did not have any flexible working arrangements, whereas site interviews revealed that they did allow some individuals to work flexibly.
-  Three main approaches to flexibility, all informal, were identified from the 23 organisations in the study. Some employers embraced flexible working arrangements for almost all employees, and made it part of their culture in a *holistic* way. Some employers *selectively* allowed certain individuals to have flexibility but did not extend the provision to others. The third group were *resistant* to allowing flexibility.
-  Employees who worked in organisations with flexible working arrangements, especially those whose employer took a holistic approach, appreciated the flexibility and displayed loyalty and trust towards their employer. These characteristics were not evident to the same extent in other types of workplaces.
-  Some employers thought that their employees did not want flexible working arrangements but the employee interviews showed that they did.
-  Employers who were opposed to flexible working arrangements feared their introduction would lead to increasing administrative burdens and red-tape (in the case of statutory provision), problems for their clients, operational problems, falling productivity largely through disruption, and management problems.
-  Comparisons between similar organisations with and without flexible working arrangements indicated that flexibility, in principle, could be incorporated into workplace environments without disrupting productivity or employee morale. It was possible to address the needs of clients whilst allowing employees more flexible working arrangements, especially by using new technology. Multi-skilled teams and systems of employees accruing credit for flexibility had helped employers to offer flexibility. In principle, these practices were transferable to organisations with similar types of work that did not offer flexible working arrangements.
-  A lack of time significantly hindered small employers from changing their working arrangements.

Background

Paid work and family life have both been subject to pressures and changes that are well documented. As well as the greater fragmentation of families, the intensity and insecurity of work have increased along with the rising cost of stress and absence. Flexible working arrangements have been seen as a way of relieving the pressures on family life and in the workplace without necessarily reducing an employee's productivity.

Against this background, the research project set out to examine flexible working arrangements in a set of 23 small and medium-sized enterprises. On the basis of survey evidence, small organisations are seen to offer fewer opportunities for flexible working than larger organisations, and to experience more problems of disruption if they do. Firms with fewer than 500 employees form a very sizeable sector. Excluding sole traders, people working in this sector represent 48 per cent of the UK workforce.

Approaches to flexible working arrangements

Among the 23 organisations studied the study identified at least three approaches to providing flexible working arrangements. Some employers embraced flexible arrangements and made them part of their culture in a *holistic* way. Some employers *selectively* allowed certain individuals to have flexibility but did not extend the provision to others. The third group were *resistant* to allowing flexibility. In nearly all cases, the flexible working arrangements were informal, put in place to help the individual; they did not usually become organisation policy.

Employers who adopted a holistic or selective approach to flexibility did allow employees a range of changes including hours of work, reduced hours of work and periods of leave (usually short). They were not likely to provide high cost services such as childcare.

The main drivers for providing flexibility were:

- employee requests;
- personal experiences – at top levels (but not particularly linked to one gender);
- external or published evidence of improved profits from staff retention and productivity gains;
- face-to-face recommendations through workshops or seminars.

Workforce characteristics coincided with the differences in employers' approaches to flexibility. For example, the workers of holistic employers were predominately married women with younger children whereas resistant employers in the sample had a high proportion of prime age (25-40) or

younger male employees. The male employees in resistant organisations also tended to be high earners. Their households, where they were not single, were less likely to be heavily reliant on two incomes. The married women in holistic organisations were on lower or middle incomes and probably making a more substantial contribution to their household income. To some extent, therefore, the approaches employers had adopted coincided with the concerns of their workforce, although interviews with employees showed that there were serious misunderstandings between employers and employees.

Employees' views about their employer's flexibility

Employees in the holistic organisations had a greater awareness and appreciation of flexibility than did those in the organisations taking a selective approach. However, employees expressed appreciation of flexibility in many of the organisations studied. What they seemed to be saying was that they valued their employer's approachability. The employer might not have all the policies formulated, but employees valued the fact that the employer would listen with an open mind and a flexible outlook. Employees also said that flexibility made good business sense, promoted motivation and effort and deserved a reciprocal response.

The employers in selective and resistant organisations appeared to have more problems organising how the work was done than did those with a holistic approach. A successful work-life balance was also most apparent among employees in the holistic organisations, although clearly the work-life balance of some individuals had benefited in selective organisations. The picture was also complicated by the fact that employees in some resistant organisations often did not voice problems of work-life imbalance. In some cases, this was related to their higher-level status, which meant they were allowed to start and finish work when they chose. There were also employees with low expectations who thought that their employers were fair, even though their provisions were low and inequitable.

Trust was present in all of the organisations. In the holistic organisations trust was based on an open culture and clear management strategy. In the selective organisations it was based on longer job tenure and employees having shown loyalty; here trust was clearly selective. In the resistant organisations trust was based on the privileges of higher status. There was little display of inequity or bad feeling among employees in any of the 23 organisations.

Are the barriers to flexibility resolvable?

Employers had a number of fears about offering more flexibility, notably:

- the additional work and red-tape which came from changes in the law;
- the loss of clients;
- employee productivity falling;
- their inability to substitute for certain skills if certain employees were absent;
- management finding it difficult to manage or administer the flexibility.

When faced with additional new statutory duties, some employers expressed strong views about the government's failure to understand small business. Employers felt changes were being imposed on them.

In trying to discover whether employers were identifying irresolvable barriers to introducing flexible working arrangements the study looked at data from two main sources: employees in the organisations studied and employers of organisations that had successfully introduced flexible working arrangements.

The organisations with more flexibility were operating in similar work and industry settings to those where employers thought flexibility was not possible. Alongside the resistance, in some cases, went poor communications between the employer and employees, assumptions that there needed to be close supervision and control of employees, and resistance to other potentially helpful business tools such as new technology. There was no evidence that there had been serious long-term additions to managers' workloads where flexibility had been offered. Also, the study found no evidence of damage to productivity or staff morale. On the contrary, most believed that staff worked better as a result of the change because they were happier.

There are some operational constraints, which employers will always have to confront, but the case studies indicated that some types of flexibility could be incorporated into a range of workplace environments without disrupting productivity or employee morale. Similarly, ways of addressing the needs of clients are possible whilst allowing employees more flexible working arrangements.

From the evidence of this study, many of the problems perceived by employers could be resolved by:

- a change of mind set;
- management systems based on trust;
- being open to different ways of organising work and to using new technology;
- better communication between employers, or between managers and employees.

A major difficulty in getting small employers to change is the time needed to think about change. The pressures are such that time to reflect on the organisation of work and new working arrangements is hard to find. The human resource management skills required to adopt, or reorganise and embed new working arrangements were also absent in some small workplaces.

Transferable practices from this research

The study explored whether it is possible, in principle, to transfer practices, particularly flexible working arrangements, between and within employers. Examination of the barriers cited by employers with little flexibility suggested that it was possible, in principle, to have transfers both between and within organisations where existing practices were not uniform across the organisations. The holistic approach appeared to have the most benefits for employers who could engage in this level of reorganisation since it matched the needs of the workforce and had clear business performance benefits. However, the adaptations of flexible working practices identified in the selective employers also had potential for transferability. These had the advantage of being relatively cheap to implement and with little sign of disruption.

The researchers further identified some particular practices that offered scope for transfer, such as team work and multi-skilling. These ways of organising work, and training the workforce, could strengthen the organisation's ability to cope with greater flexibility. In some cases, even relatively brief periods of leave could be handled satisfactorily. Systems for determining entitlement to flexible hours were also transferable. Employees could accumulate credit for hours worked and improved productivity which could be exchanged for time off at some future date.

However, there were more general management and workplace practices that also underpinned the successful implementation of flexible working arrangements in the most outstanding cases. These included:

- flat management structures;
- good employee-employer communications;
- clear reward structures;
- approachability of managers.

These had generated a notable measure of employee-employer trust.

The potential disadvantages for employees of informal flexible working arrangements in small organisations are related to their informal nature. They have the potential for inequity although it is

probably no more (or less) than the inequities associated with large corporations' formal policies. However, there were examples among the case studies where organisations had moved from initially agreeing informal arrangements with individuals to the possibility of informal arrangements for a wider group. In one case eligibility was eventually extended to all employees. The inequity problems that are implied by the use of informal arrangements could be reduced by providing a clearer statement, in advance, of the criteria on which decisions would be made. Here also, there were examples among the holistic set that had successfully made this step to explicit informality.

Policy implications

One policy implication of the study is that flexible working arrangements could be effectively promoted through giving employees an entitlement to present a business case to their employer for the flexible working arrangement they would prefer. The business case would outline what appeared to be the benefits and any costs of greater flexibility. In many cases, it would cost relatively little, or be backed up by the credit already built up by the employee. This approach should lead to a greater partnership and involvement between employer and employee. It could apply to large and small employers alike although it has the added advantage of being a policy recommendation that starts out from a small organisation perspective. Employees would need assistance to present their case. This would provide a role for trade unions, local and regional government and other voluntary and commercial agencies to offer advice and assistance.

The November 2001 Report of the DTI Work and Parents Taskforce has recommended that government legislate to place on employers a duty to consider requests from certain parents to work flexibly. The taskforce is not recommending that parents provide a business case, although they are recommending the onus should be on eligible parents 'to set out the working pattern they wish to adopt and how it might be accommodated'. This set of recommendations goes some way towards the recommendation of this research. However, it misses the opportunity to promote greater partnership between employee and employer, although it should help to achieve greater flexibility for some parents, especially in resistant and selective organisations.

Outside of regulatory solutions, change is more likely where small organisations feel a sense of ownership of any proposed innovation or job design change.

The lack of awareness of local and regional government agencies of each other's concerns was also

evident and appears to be due to recent reorganisation and the high turnover and change in staff in agencies. Certainly better communications between government agencies and small organisations are required if any respect, trust and progress are to be achieved.

About the project

This study is based mainly on semi-structured interviews between 1999 and 2001 with human resources and general managers and a selection of employees (chosen by the employer) at 23 organisations in the East Anglian region with fewer than 500 employees. Ten organisations were recruited into the first phase of the study because they had flexible working arrangements. In the second phase, organisations were sought that did not have flexible working arrangements although many of those recruited were found to allow individual employees to have some flexibility, despite suggesting on the telephone that they did not have such arrangements. Thirteen organisations were recruited into the second phase of this study.

How to get further information

The full report, *SMEs and flexible working arrangements* by Shirley Dex and Fiona Scheibl, is published for the Foundation by The Policy Press as part of the Family and Work series (ISBN 1 86134 432 5, price £12.95).