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From Start to Finish: Flexi-time as a Social Exchange and its Impact on Organizational Outcomes

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Synopsis

We employ arguments from social exchange theory to develop a framework explicating the relationship between flexi-time and employee absenteeism, employee turnover, and organizational profitability. Then, employing data from 1,064 private sector organizations located in France, Germany, Hungary, Ireland, Italy, Sweden, and the United Kingdom, we test our hypothesized model via path analysis. We found flexi-time to have a significant negative relationship with employee turnover and a significant positive relationship with organizational profitability, controlling for organizational, industry, and country factors, as well as other flexible work arrangements. The relationship between flexi-time and absenteeism did not reach significance in our estimations.

Introduction and Background

This study contributes to the on-going debate on the organizational benefits linked to the use of flexi-time, one of a suite of work arrangements which has gained renewed significance as a result of the Covid 19 Pandemic. Flexi-time was first introduced in Germany in 1967 and was initially seen as a means of relieving transit and commute time problems (Pierce & Newstrom, 1980). Shortly after, it began to gain traction as a way of attracting women with family responsibilities into the workforce and allowing them to balance their work and personal lives. Thus, while flexi-time is a useful tool to attract workers such as those with caring responsibilities and those wishing to work outside the confines

of the traditional working day, employers are however most likely to implement flexi-time when the perceived benefits outweigh the costs of introducing such practices (Plantenga & Remery, 2005). It is therefore important to build an evidence-based business case for the implementation of flexi-time.

While a number of international, comparative and cross-cultural studies examining flexi-time from an employer perspective have been conducted, both conceptual and methodological gaps remain in the literature. From a conceptual viewpoint, a reoccurring issue throughout the literature on flexi-time is the lack of a clear and concise definition, with the result that studies employing proximal nomenclature are not necessarily always examining and explicating the same core phenomenon. From a methodological perspective, concerns have been raised with respect to the paucity of research exploring the relationship between flexi-time and organizational outcomes across countries with idiosyncratic institutional arrangements. To address these gaps in the literature we employ a single definition of flexi-time and examine the relationship between flexi-time and organizational outcomes across 1,064 private sector organizations in 7 countries with different institutional provisions.

Issues and Questions Considered

Unlike economic exchange, which in the employment relationship would simply be payment for work, social exchange theory is built on the premise of mutual exchanges (Eisenberger et al., 1986). Therefore, the exact

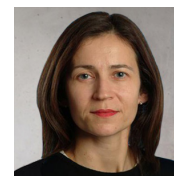
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nature and extent of the return is dependent on the discretion of the employee providing it. In this way it is thought to be a function of personal obligation, gratitude and trust in the organization (Haas & Deseran, 1981), with reciprocating behaviors going beyond mere contractual agreements (Organ & Ryan, 1995). The availability of flexi-time can be regarded as an extra benefit or incentive offered by an organization, and therefore has the potential to generate returns for the organization.

Allowing employees to alter the starting and finishing times of the workday, and the potential to carryover surplus or deficit hours worked, have the potential to act as an incentive to reduce absenteeism (Munsch, Ridgeway, & Williams, 2014). From an employee viewpoint, flexi-time generates value and benefits by allowing employees flexibility around when work is completed, making it easier to coordinate their work/non-work commitments (Nord, Fox, Phoenix, & Viano, 2002). The desire to return this benefit (in this instance perceived levels of autonomy) should lead to a decrease in absenteeism as employees would be incentivized to attend work if at all possible (Latorre et al., 2016). Therefore, we posit that flexi-time will reduce employee absenteeism. **H1. Flexi-time will have a negative relationship with employee absenteeism.**

In an attempt to attract and retain talented employees, employers worldwide have increasingly adopted HR practices such as flexi-time. From a social exchange perspective, we argue that organizations offering flexi-time create a positive employment relationship as flexi-time can be seen a means to address work/non-work conflict, thus creating a benefit and incentive for employees to remain with the organization. Such benefits have the potential to create a positive employment relationship that is likely to result in lower levels of employee turnover. Thus, we propose the following hypothesis: **H2. Flexi-time will have a negative relationship with employee turnover.**

On the whole there is a dearth of evidence on the relationship between flexi-time and organizational profitability (Lee & DeVoe, 2012) but where it does exist the empirical evidence suggests that flexi-time can have a positive impact on overall profitability. Based on the premise of social exchange theory, if an organization offers flexi-time, which is perceived as a positive incentive by its employees, it will in turn result in employees displaying positive behaviors, offering the possibility for productivity gains along with a diminution in absenteeism. This will ultimately influence performance and lead to financial outcomes such as increased profits. Therefore, as our final hypothesis we propose that: **H3. Flexi-time will have a positive relationship with organizational profitability.**

Methodology

To test our hypotheses, we draw on comparative data from 1,064 private sector

organizations, provided by the CRANET survey. The CRANET survey is the largest and most representative independent survey of HRM policies and practices in the world and focuses on factual questions about HR practices in the organizations (Morley & Heraty, 2019; Parry, Stavrou & Morley, 2011). Descriptive statistics were used to summarize organization characteristics, flexi-time, employee turnover, absenteeism and organizational profitability. Bivariate linear relationships with flexi-time were summarized using Spearman's rank correlation. A path analysis using Mplus 7.4 was used to examine the relationship between flexi-time and the outcome variables (employee absenteeism, employee turnover, and organizational profitability) while controlling for organizational, industry and country characteristics, as well a suite of other flexible working arrangements.

Outcomes and Findings

Controlling for organizational, industry, and country level factors, as well as the use of other flexible work arrangements (weekend work, shift work, overtime, annual hours contracts, part-time working, job sharing, temporary/casual contracts, fixed-term contracts, homebased working, teleworking and compressed working week), we found a significant negative relationship between flexi-time and employee turnover (supporting H2), and a significant positive relationship between flexi-time and organizational profitability (supporting H3). We did not find support for the postulated negative relationship with absenteeism in H1. Our results indicate that flexi-time as a standalone intervention can yield significant organizational returns. However, despite the potential benefits of flexi-time documented in the literature, the implementation of flexi-time is often seen to be problematic, with many organizations confining flexi-time to specific areas/jobs within the organization (Clutterbuck, 2003; Mayberry, 2006; Powers, 2004). Commonly cited difficulties associated with flexi-time include: the coordination and management of flexi-time; difficulties with implementing flexi-time in teams and work groups; the possible stigma or career penalties associated with using flexi-time; and the relinquishing of a degree of management control (Akyeampong, 1993; Dancaster, 2006; McDonald, Bradley, & Brown, 2008). Despite some of the challenges, real or imagined, our results indicate that it is in an employer's best interest to promote and encourage the uptake of flexi-time throughout the organization in order to secure the returns identified. By controlling for other flexible work arrangements in our analysis, this study focuses on the independent impact of flexi-time on employee turnover and organizational profitability. While previous studies have focused on the employee benefits associated with flexi-time policies, our study focuses on the business case for flexi-time and the potential standalone gains that may be secured from implementing this particular work arrangement.

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