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The Social Science Journal

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Do flexible work schedules reduce turnover in U.S. federal agencies?

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ARTICLE INFO

Article history:

Received 12 November 2016
Received in revised form
28 September 2017
Accepted 28 September 2017
Available online xxx

Keywords:

Agency theory
Flexible work schedules
Turnover

ABSTRACT

Agency theory suggests that when agencies adopt flexible work schedules, employees will be more likely to remain with the organization, because these programs demonstrate that the organization cares about their well-being in that flexible work schedules give them more flexibility regarding when, where, and how they perform their work. To test this proposition, cross-sectional panel data at the agency level were obtained from two federal government sources: Federal Employee Viewpoint Survey and FedScope. Furthermore, transfers and quits were the two forms of turnover examined. After lagging the independent variables behind turnover over several years so as to provide a robust test of causality, the results show only limited support for agency theory. Specifically, teleworking was found to lower quits. However, teleworking was not found to reduce transfers or turnover, in general. Furthermore, alternative work schedules were not found to have an impact on quits, transfers, or turnover generally.

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1. Introduction

Agencies have long adopted complex and expensive human resource practices in the hopes of recruiting and retaining the best and brightest employees (Durst, 1999). While these practices are comprised of numerous programs and strategies, one that has increasingly been gaining attention over the last several decades is flexible work schedules. Flexible work schedules are programs specifically designed to give employees greater flexibility over when, how, and where they perform their work, and the popularity of these programs has been increasing because they help meet the current familial changes in the workforce, such as the increasing amount of dual-earning couples and employees who have significant dependent care responsibilities (Allen, 2001). As a result, laws mandating the presence of flexible work schedules in government have been passed. In the U.S. federal government, in par-

ticular, statutes established traditional Monday through Friday work-schedule requirements for employees. The Federal Employees Flexible and Compressed Work Schedules Act was passed to eliminate that restriction for flexible work schedules; but, it granted agencies wide discretion in establishing whether or not employees were allowed to participate in these schedules (Georgetown University Law Center, 2006; U.S. Office of Personnel Management, N.D.). Since this Act did not mandate these schedules, Congress passed the Telework Enhancement Act of 2010 which requires the “head of each executive agency to establish and implement a policy under which employees shall be authorized to telework...”¹ Therefore, the Telework Enhancement Act of 2010 is designed to increase flexible work schedules (i.e., teleworking) in agencies.

¹ This quote was taken directly from the first page of the Telework Enhancement Act of 2010 (H.R. 1722). The act can be found at <https://www.gpo.gov/fdsys/pkg/BILLS-111hr1722enr/pdf/BILLS-111hr1722enr.pdf>.

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<https://doi.org/10.1016/j.soscij.2017.09.005>

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Due in part to the widespread presence of these programs as well as the normative appeal of affording employees greater freedom over their work schedule, the outcomes of flexible work programs are increasingly being assessed in public organizations—organizations that are known for providing robust work-life benefits—to determine what, if any, effect they have on workers' behaviors and attitudes. For instance, scholars have examined the extent to which flexible work programs affect work attitudes (Caillier, 2012, 2013, 2014; Ko & Hur, 2014), performance (Lee & Hong, 2011), and turnover (Caillier, 2016; Lee & Hong, 2011) in government. In terms of turnover (Caillier, 2016; Lee & Hong, 2011), these studies were limited in that employee satisfaction with flexible work schedules was used as a measure. Unlike an objective measure like percentages of employees participating in flexible work schedules, for instance, satisfaction with flexible work schedules may be influenced by how workers feel about leaders, the culture of agencies, etc., which are factors that do not directly stem from the work schedule. Therefore, satisfaction with these work schedules is not as precise as the aforementioned objective measure. And, to my knowledge, no article has investigated whether or not participation in flexible work schedules influences turnover in public sector organizations.²

The fact that the aforementioned gap exists is surprising, given that the public sector lacks the financial incentives that private sector organizations have, causing them to rely more on non-monetary incentives, like flexible work schedules, to motivate and get the most out of employees (Caillier, in press; Rainey, 2014; Wright, Moynihan, & Pandey, 2011). This means flexible work programs in the public sector could be a more important motivational tool than in the private sector. Consequently, this paper closes this lacuna in the research by examining the association between flexible work schedules and turnover in agencies. Agencies are thus the unit of analysis. It further extends others in that several years of data are examined, allowing for causality to be determined.

The venerable agency theory is used to explain how and why flexible work programs may affect turnover. More specifically, agency theory suggests that when employees are given a certain degree of flexibility over their work schedule, they will view this as a voluntary benefit and will respond by demonstrating their commitment to the organization, which is ultimately reflected in lower levels of turnover (Lee & Hong, 2011). Since government turnover in agencies involves either quitting government altogether or transferring to another agency within government, both of these types of voluntary turnover are examined in this paper, with the goal to isolate the influence of flexible work arrangements on each type of turnover.

This analysis is also not conducted at the individual level but rather at the agency level. Although turnover is

based on individual decisions, studying turnover at the agency-level has an advantage over doing so at the individual level. That is, such an analysis is more consistent with how human resource personnel learn about and develop strategies to combat turnover (Cohen, Blake, & Goodman, 2016; Shaw, Delery, Jenkins, & Gupta, 1998). Therefore, an organizational-level analysis is more useful to agencies. Focusing on agencies in this manner is also not unique (Cohen et al. (2016) and Shaw et al. (1998) also studied turnover at the organization-level.

The structure of the paper is as follows. First, flexible work arrangements are discussed and agency theory is used to formulate hypotheses. Second, the methods section describes the data and the coding mechanisms. Third, the statistical analysis and findings are contained in the results. Last, the theoretical and practical contributions are discussed in the discussion and conclusion section, as well as limitations and avenues for future research.

2. Theory and hypotheses

Agency theory is useful in explaining various outcomes that result from the interaction between agencies who delegate work to subordinates. According to the theory, agencies and employees have different interests, and therefore, they both seek to maximize their own utility (Van Puyvelde, Caers, Du Bois, & Jegers, 2013). As a result, the interests of managers and employees often diverge, making it difficult for employees to remain committed to the agency's interests. This results in the agency problem where employees do not always act in a manner that is consistent with the agency's expectations. To resolve this problem of incongruent goals, agency theory contends that agencies should implement an incentive system (Lee & Taylor, 2014). One way of incentivizing employees so as to bring the interests of the employee in alignment with that of the agency is to enter into a social exchange relationship. Therefore, social exchange is viewed as complementary or embedded in agency theory (Bottom, Holloway, Miller, Mislin, & Whitford, 2006).

Social exchanges refer to a mutual relationship of tangible and intangible exchanges (Haar & Spell, 2004). In organizations, social exchanges involve discretionary benefits which are bestowed upon employees by the organization in an effort to incentivize employees or create a sense of obligation, which in turn causes employees to behave in a manner consistent with the goals of the organization (Bagger & Li, 2014). These benefits engender such a response from employees due to reciprocity norms (Gouldner, 1960). For instance, voluntary benefits demonstrate that the organization cares about the welfare of employees (Eisenberger, Fasolo, & Davis-LaMastro, 1990), which results in a negative balance. Employees then feel obligated to repay the debt because social norms dictate that they should return favors by reciprocating in a manner that is consistent with the values and goals of the organization (Eisenberger, Armeli, Rexwinkel, Lynch, & Rhoades, 2001; Lambert, 2000). The net result is a series of mutually beneficial exchanges; the employee receives the discretionary benefit and the employer receives committed employees who work to fur-

² Public sector organizations refer to agencies that are controlled by the government and are responsible for delivering goods and services to citizens. Examples of agencies in US federal government include Department of Health and Human Services, Department of Defense, Department of Interior, etc.

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