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**EMPLOYMENT RELATIONS  
RESEARCH SERIES NO.47**

'Small, flexible and family friendly' - work practices in service sector businesses

Lynette Harris and Carley Foster

NOTTINGHAM BUSINESS SCHOOL,  
THE NOTTINGHAM TRENT UNIVERSITY



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Nottingham Business School,  
The Nottingham Trent University.

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# Foreword

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The Department has an ongoing research programme on employment relations and labour market issues, managed by the Employment Market Analysis and Research branch (EMAR). Details of our research programme appear regularly in the ONS journal *Labour Market Trends*, and can also be found on our website: <http://www.dti.gov.uk/er/emar>

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The views expressed in these publications do not necessarily reflect those of the Department or the Government. We publish them as a contribution towards open debate about how best we can achieve our objectives.



Grant Fitzner  
Director, Employment Market Analysis and Research

# Acknowledgements

We would like to thank all the small businesses who agreed to participate in this study but, in particular, the assistance and insights provided by the owner-managers in the case study organisations who found the time in their busy schedules to talk over the issues and share their experiences with us.

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# Executive summary

*Small firms in the service sector are adopting flexible working practices (FWP) largely to try and retain labour. They do not define FWP in terms of the development of 'family friendly' policy but rather as ad hoc arrangements to accommodate individual circumstances. Small firms' preference is for informality, although there is some evidence to suggest that the value of formal processes is increasingly being recognised, as a means of demonstrating fairness and consistency of treatment.*

## **Aims and objectives**

This study is based on 12 case studies and 50 telephone interviews with small firms with less than 100 workers across five service sectors of Entertainment and Hotel and Catering, Retail, Financial Services, Voluntary Services and Business Services. It sets out to examine the extent to which small service sector businesses use flexible working arrangements to attract and retain employees, how formalised these are and any reported benefits or difficulties experienced in their operation. The service sector was selected as the focus of the study on the grounds that there could be particular tensions for such businesses in meeting customer demand for their services as well as their employees' desire for work-life balance. As well as identifying what family friendly working arrangements were provided, the study explored employers' awareness of individual time off rights and the formalisation of flexible working and time off practices, including the processes of consultation and communication which had been adopted in implementing such arrangements.

## **Background**

The research outlined in this report has been developed from earlier work which examined the impact of employment regulation on small business approaches to the employment relationship at the level of the individual firm (Harris, 2002). It was further informed by a joint evaluation undertaken with the Chartered Institute of Personnel of the DTI's Shared Human Resources Pilot schemes for small firms in 2004. This was an initiative developed in response to one of the recommendations of the *Employment Regulation: Striking a Balance* (2002) report published by The Better Regulation Task Force (BRTF), the Government's independent body set up to consider how employment law impacts on business.

Family friendly legislation has provided the basis for the development of employment practices which address work-life balance issues. This new policy agenda is potentially challenging for businesses, especially small firms in the service sector, which have to balance their customers' demands with the demands for flexible working from their workforce. It has been argued that providing family friendly flexible working

arrangements poses particular problems for smaller businesses because they have fewer resources at their disposal than larger firms. The counter argument is that smaller businesses are more able to be responsive in providing working arrangements customised to the needs of individual employees, enabling them to compete with larger employers in attracting and retaining a suitably skilled workforce.

### **Key findings from the study**

- Most of the service sector businesses in this study were able to adapt working arrangements to accommodate the circumstances of their employees, provided these did not involve long periods of absence.
- Flexible working arrangements were recognised as a means of developing employee commitment and retaining valued staff, although they rarely formed part of an explicit, pro-active recruitment or employee commitment strategy.
- A large majority (52 out of 62 companies) of the organisations in this study reported that they were experiencing recruitment difficulties in at least one area of their business and saw themselves to be at a disadvantage competing for labour with larger employers. Only rarely did they see a direct relationship between recruitment and the provision of flexible working arrangements, although it was much more common for them to see a link between retention and flexible working arrangements.
- Although small firms thought that larger employers were able to offer better employment packages and career progression to prospective employees, they felt that they could be more responsive to individual circumstances and, because of greater opportunities for direct communication, were more likely to be aware of these.
- Only a few of the small firms in this study had formal written policies on flexible working, time off arrangements or employee consultation, although just under half reported that they had introduced a formal written policy on time off for maternity leave, which they said of all the time-off rights was the one that was having the greatest impact on their businesses.
- Small firms have a strong preference for informal arrangements, which are seen to provide them with the flexibility to adapt to the prevailing operational environment. There was, however, some evidence to suggest that there was a growing recognition that there could be benefits in having written policies as the means of providing consistency of treatment and demonstrating fairness. Of those employers who reported having no written policies, almost two-thirds felt that formalising these was not necessary or not appropriate for their business.

- In terms of awareness and knowledge of the different statutory leave entitlements, small firms were most knowledgeable about maternity leave and the right to request flexible working and least aware or knowledgeable about individual rights on paternity, parental leave or emergency time off for dependents. Employer and Trade Associations were the most frequently used source of advice, though the internet was also valued as a means of obtaining factual information. Notwithstanding this, small firms said that what was most useful was customised guidance on how to proceed in practice.
- There was little evidence amongst small firms of any principled objection to family friendly legislation, although recurring themes were that the balance had probably gone too far in favour of individual rights, and that the burden placed on them as employers had been insufficiently considered. There was significant concern amongst small firms heavily reliant on female labour about any extension of the present level of statutory maternity rights, which if increased might well necessitate a reassessment of their current recruitment strategies.
- A key issue for small firms was finding a suitably skilled replacement to provide cover for extended periods of leave, the costs involved in this and the impact on the workload of other employees. Small firms faced critical resourcing difficulties covering for extended leave of even just one experienced employee.
- Most, though not all, of the employers in this study had received requests for reduced hours working to enable employees to cope with childcare responsibilities. In most instances it had been possible to accommodate these arrangements, but there were concerns about the impact on and fairness of such arrangements for staff without young children.
- Most of the small firms in this study were unable to identify any specific plans for the extension of flexible working within their businesses. When pressed, the most common suggestion related to the extension of working hours to enhance service provision to the customer rather than employment strategies to address work-life balance issues.
- Small firms generally reacted negatively to much of the family friendly and work-life balance language used by Government and practitioners/academics. They were, however, much more receptive in acknowledging the value of flexible working arrangements as a means of assisting retention and, to a lesser extent, recruitment issues.
- A key message to emerge from this study is that at the level of the workplace, the majority of the employers were committed to addressing work-life balance issues for individual employees where they felt this was possible within the constraints of their businesses.

However, the findings suggest that these workplace actions are rarely sufficiently integrated with other employment issues, such as recruitment and retention, to maximise their potential benefits for the business.

### **About this project and the authors**

This project was carried out as part of the Department of Trade and Industry's employment relations research programme. It was undertaken by Lynette Harris in the Department of Human Resource Management and Carley Foster in the Department of Strategic Management and Marketing at Nottingham Business School.

# 1

# Aims, objectives and focus

## **Introduction**

The project developed from earlier research examining the impact of employment legislation on small business owner-managers' employment practices (Harris, 2000, 2002). It was further informed by an evaluation of the DTI's Shared Human Resources Pilots of HR consultancy services to small businesses developed in response to one of the recommendations of the Better Regulation Task Force (BRTF) (Better Regulation Task Force, 2002). The focus of this study is small businesses in the service sector. The sector was selected on the grounds that a key feature of firms in this sector was their focus on maintaining competitive advantage by maximising their responsiveness to customers' requirements. They therefore face a challenge in achieving a balance between meeting their customers' needs and those of their workforces.

In addition to identifying what was occurring in terms of adopting family friendly working practices and other flexible working to provide work-life balance, the awareness of individual time off rights and the extent of formalisation of any flexible working arrangements were explored. The Chartered Institute of Personnel and Development's high performance workplace model (Purcell at al., 2003) also informed the elements explored in this study. It led to an emphasis in the telephone interviews and in the case studies on exploring the business based approaches to family friendly working arrangements through owner-managers' perceptions of mutual benefits and the impact on employee commitment, as well as any difficulties stemming from the operation of such practices.

## **Aims and objectives**

The project set out to examine the extent to which small service sector businesses were using flexible working arrangements and other family friendly arrangements to attract and retain labour and establish greater mutuality in the employment relationship. The key aims of the study were to identify:

- The flexible working practices the small businesses were actually engaging in and the reasons why different flexible working practices were or were not offered.
- The extent to which flexible working arrangements were formal written policies.

- The level of employers' knowledge about statutory leave entitlements and their sources of advice on employment rights.
- Any identified benefits and disadvantages stemming from the reported experiences of providing flexible working arrangements.
- What, if anything, the employers were planning in terms of future flexibility and the perceived constraints on the future development of such working practices in their businesses.

## **Project design**

The study was in two parts: telephone based interviews with 50 employers in the Midlands region supported by 12 in-depth case studies. The fieldwork took place in Spring 2005. The initial intention had been to undertake telephone interviews with 100 employers and to conduct six in-depth case studies. During the course of the study, the project design was adjusted to decrease the number of telephone interviews and increase the number of case study organisations. The reasons for this were three fold. Firstly, the case study interviews with owner-managers provided far more insights than the telephone interviews. Secondly, there was frequently a difficulty in gaining access to an appropriate person in the business who was both able and willing to be interviewed over the telephone. Thirdly, the telephone interviews revealed such similar trends that the value of numerically increasing the number of telephone interviews was questionable; it was felt that a larger sample was unlikely to have added to the emergent recurring themes. The problems of researching small firms has been commented upon in other studies (Blackburn and Hart, 2002) and this project proved to be no exception, particularly if it was perceived by employers that the collection of data about small businesses was government-initiated. This is an issue discussed further in the report.

## **Scoping flexibility**

Whilst the study's main objective was to explore the adoption of flexible working and other family friendly arrangements in small service sector organisations, the opportunity was taken to explore other forms of flexibility that the employers felt they offered compared to larger employers with whom they competed for labour. As a result questions were also asked about varied work, career progression, development opportunities, communication, consultation and flexibility in pay and financial benefits, as well as any forms of flexible working hours. The aim was to obtain a broad picture of how flexibility was interpreted by the employers. This approach proved to be helpful in gaining access to owner-managers at the initial contact stage; it then proved possible to filter down to the provision of flexible working and family friendly arrangements later in the interview. It avoided the study focusing on flexible arrangements arising from statutory employment rights which were viewed by many owner-managers with a degree of hostility as 'just a government agenda'. Adopting a generic label of flexibility rather than one of family friendly or work-life balance provided the means of developing the discussion on the working reality for small businesses.

## **Structure of the report**

Chapter Two outlines the research methods adopted for this study, including details of the small businesses involved in the research. The following five chapters report the study's findings. Each chapter considers a distinct theme that has emerged from the research. Chapter Three explores issues of recruitment/retention and flexible working; Chapter Four discusses the extent of employers' flexible working provisions, the reasons why these were, or were not, offered, the level of employers' knowledge on the statutory leave entitlements and their sources of advice on employment rights. The extent to which flexible working policies were formalised is considered in Chapter Five and the employers' reported experiences of flexible working and the level of employee take-up are examined in Chapter Six. Any future flexible working plans of the participating small businesses are considered with any identified constraints on their development in Chapter Seven. Finally the study's conclusions and policy implications are discussed in Chapter Eight.

# 2

## Methods and the participating organisations

### Overview

This section discusses how data and materials were collected for this study, along with the rationale for the methods adopted. In order to address the research objectives, the study adopted a multi-method research design. Method one involved short telephone interviews with 50 small firms using a standard questionnaire. Method two involved face-to-face in-depth interviews with the owner or senior manager of 12 service sector small businesses. The in-depth interviews, combined with observation and documentation on HR policies (where available) at these 12 organisations, provided the case studies. The rationale was that combining a short structured telephone interview with more open, in-depth exploratory interviews (Easterby-Smith et al., 2002) would enable the researchers to gain a better understanding of flexible employment issues in small businesses than would have been obtained had only one method been used (Bryman and Bell, 2003).

The service sector small businesses were selected on the basis that they employed less than a 100 employees and were a group of employers likely to have to deal with issues arising from family friendly legislation but unlikely to have internal HR expertise because of their size (Harris, 2000). The willingness of firms to participate influenced the selected service sectors which are identified below but these are considered to be key activity areas within the service industry.

- Entertainment/hotel/catering – hotels, restaurants, leisure venues and tourist attractions.
- Retail – traditional ‘bricks and mortar’ outlets and internet retailers as well as hairdressers and beauticians.
- Financial services – financial advisors and insurance brokers.
- Housing/care/voluntary services – housing authorities, care homes, hospices and voluntary training organisations.
- Business services – recruitment agencies, business travel services, consultants and printing services.

Table 1 provides a breakdown of the number of small businesses involved in the study within each of the five sectors according to the research method used.

**Table 1. Number of selected small businesses per sector**

Sector	Telephone interview	In-depth case study	Total
Entertainment / Hotel / Catering	11	1	12
Retail	13	5	18
Financial Services	7	1	8
Housing / Care / Voluntary Services	7	1	8
Business Services	12	4	16
<b>Total</b>	<b>50</b>	<b>12</b>	<b>62</b>

### **Characteristics of the participating organisations**

The study used non-probability sampling to select suitable small businesses, therefore, the reported findings are not statistically representative of the small business population. All the businesses in the sample were based in the Midlands region and were well established organisations. Most of the businesses had been established between 11 and 20 years and there were no 'start up' businesses included in the study. All the employers included in the study employed women and over half of the sample had a predominantly female workforce. Across the small businesses, around two-thirds of the employed staff were female. A third of those employed by the participating companies worked part-time but the incidence of temporary contracts of employment was very low; nearly all of those employed were on permanent contracts of employment. Just under half of the small firms operated traditional office hours but the other businesses, such as hotels and entertainment venues, those providing care services and many of the retailers, opened evenings and weekends, reflecting the extended working hours characteristic of the sector.

### **The telephone interviews**

The first stage of collecting data involved administering a telephone interview to 50 small businesses using an interviewer administered questionnaire to collect the data. The main purpose of this structured interview was to gather cross-sectional data across a range of organisations that described owner-manager's attitudes and opinions towards flexible employment practices. Administering the interview by telephone provided a number of benefits over a postal questionnaire. It

enabled the research team to gather information quickly, explain questions if the individual was unsure of their meaning and persuade people to participate if they were hesitant.

Two lists of local small businesses were obtained from the Nottinghamshire and Leicestershire Chamber of Commerce. These lists provided contact details and information relating to the nature of the company, such as the number of employees and the industry they operated in. From this list service companies were selected across the five service sector categories identified in Table 1 for the telephone interviews. Owner-managers of the small businesses were sent a courtesy letter explaining the purpose of the study. The letter further advised that they would be telephoned by a member of the research team and, if willing to participate, would be asked to respond to a series of short questions relating to their employment practices and, in particular, issues of recruitment and retention.

Approximately two weeks after the courtesy letter was issued, a member of the research team contacted the organisation. Each individual who agreed to participate was asked to consider a set of questions. After an initial pilot with a small number of businesses, the telephone interview questionnaire was reduced with fewer open questions at the end (see Appendix B). The first set of questions related to the company's background, the next section asked about recruitment and retention issues in the company, followed by an exploration of the provision of flexible working arrangements. The final sections were concerned with the formalisation of such policies and other flexible working practices. The aim of the questions was to explore the participating employers' interpretation of flexible working practices but also their approach to more specific aspects of family friendly and work-life balance arrangements. Most of the questions were closed using a combination of dichotomous, multiple choice and scaling questions, however, the final set of questions relating to the perceived advantages and disadvantages of flexible working were open, giving the researcher the opportunity to probe responses if required. All the telephone interview responses were coded and analysed.

Initially the intention was to obtain data from a sample of 100 service small businesses. In practice, the researchers experienced considerable difficulties in trying to gain access to this number of employers in the region. One problem was that some employers reported not receiving the introductory courtesy letter so knew nothing about the project and were unwilling to participate. Others felt they did not have the time to do so or were reluctant to divulge company information. In several instances it proved impossible to gain telephone access to a sufficiently informed person in the company who was able to answer the questions. Consequently the initial sample size of 100 was reduced to 50 and the number of case studies was doubled.

Questionnaire responses were coded and analysed using the statistical software package SPSS. However, it should be made clear that the findings from the telephone interviews are by no means statistically

representative, notwithstanding that they nonetheless provide useful insights into the challenges and experience of small firms in the service sector in the East Midlands and, hopefully more generally.

### **The case study businesses**

A multiple case research design was adopted for the second stage of the study. It was felt that exploring in detail flexible employment issues in 12 small businesses would provide more robust findings than case study research limited to only a few companies (Herriott and Firestone, 1983). As a series of case studies it is acknowledged that the findings cannot offer conclusions that can be applied to a wider population. What they do provide are valuable insights and a richness of detail as well as reflections on the rationale of owner-managers' decision making on the provision of flexible employment practices within their organisational and environmental contexts (Hartley, 1994).

Given the difficulties experienced with trying to access information through the telephone interviews, it was decided that it would be more productive to access 12 small businesses through the personal contacts of the research team. Taking advantage of a number of established professional relationships the research team had with a range of small businesses encouraged employers in the case study organisations to participate in the study and to share information about their flexible employment practices. To gain a fair representation of materials, at least one company belonged to one of the five service industry sectors identified in Table 1. Details of the case study businesses are provided in Table 2 on page 13 and in Appendix A of the report.

The main method of gathering materials within each case company was through in-depth face-to-face interviews with either the owner of the business and/or a senior manager responsible for employment matters. In a third of the case study organisations more than one person was interviewed. These interviews provided opportunities to expand the themes which had emerged from the telephone interviews and provided opportunities to explore individual's personal experiences in some depth in a way that was not offered by the telephone interviews. Some of their observations on the impact of flexible, family friendly working arrangements on their businesses are included as illustrative examples in the reported findings.

The key themes explored in the case study interviews were the nature of the business, recruitment and retention issues, the ability to offer flexibility and what was actually provided, the extent to which this provision was formalised, any processes of communication and consultation, levels of internal HR expertise, sources of support and guidance, the experience of employee take-up and identified operational constraints in a service sector small business. Each interview was supplemented by documentation, where provided by the employer, combined with qualitative observations made whilst visiting the case company. The observations were recorded and, along with the interview

materials and documents, combined to form the case study overviews provided in Appendix A. Analysis of the qualitative materials involved generating themes from the transcripts and exploring the relationships between them.

**Table 2. Overview of the 12 case study organisations**

Company	Location	Size of Workforce	Type of Business
Case study 1	City Centre	23	Traditional retail outlet selling convenience food
Case study 2	Rural	30	Internet retailer selling and manufacturing women's clothes
Case study 3	City Centre	18	Internetretailer selling sports clothing
Case study 4	City Centre	19	Design, copying & printing services
Case study 5	Business Park	40	Recruitment and payroll services
Case study 6	City Centre	24	Recruitment agency specialising in office staff
Case study 7	Business Park	63*	Will writing and financial planning services
Case study 8	City Centre	31*	Hairdresser and beautician services
Case study 9	City Centre	21	Hairdresser
Case study 10	City Suburbs	27	Insurance brokers & financial advisors
Case study 11	City Suburbs	80	Sports and entertainment venue provider
Case study 12	Business Park	52	IT training for the disabled

\* These figures include workers on a self-employed status, both of these organisations relied on self-employed to deliver their services, case study 7 had 50 such consultants and case study 8 had 21 at the time of the study.

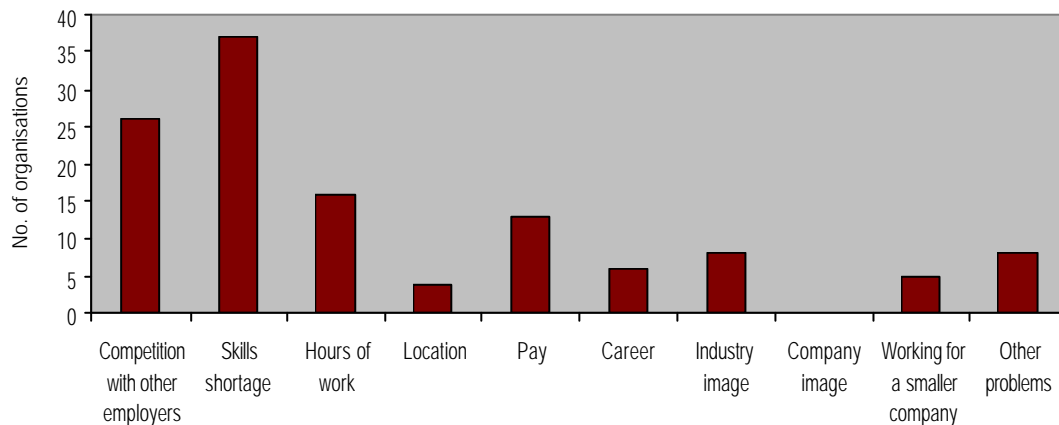
# 3

## Recruitment/retention and flexible working

### Recruitment issues

The recruitment difficulties experienced by smaller businesses continue to be identified in annual surveys of UK small businesses (Atkinson and Hurstfield, 2004). Most of the service sector employers in this study reported ongoing recruitment difficulties, with nearly half describing recruitment as often or always a problem in areas of their businesses. Recruitment problems were mainly attributed to specific skills shortages, for example qualified and experienced catering staff and financial advisers, or competition for applicants with larger employers. Figure 1 provides a breakdown of the main reasons for recruitment difficulties identified by the employers in this study regardless of the nature of their businesses.

**Figure 1. The main reason for recruitment difficulties in the organisations**

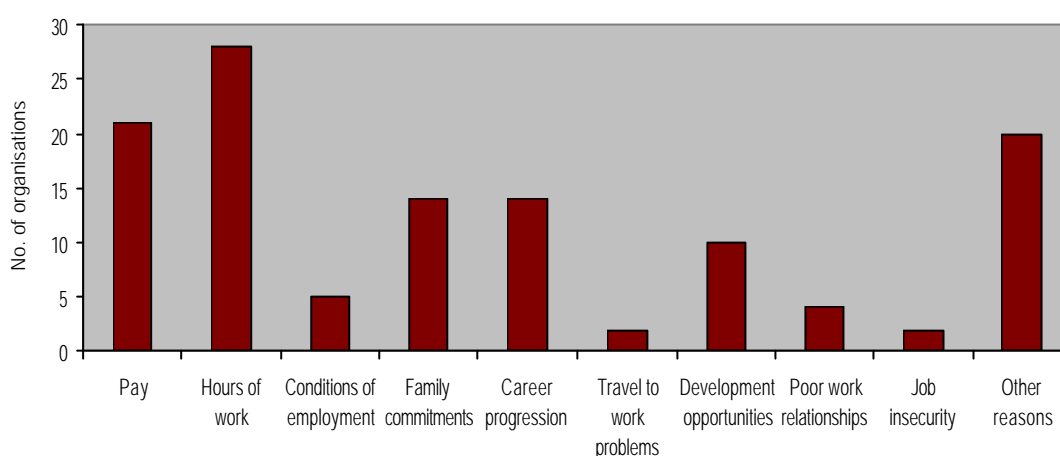


A third of the case study organisations reported experiencing difficulties in recruiting as they were unable to compete with the employment packages offered to prospective employees by larger organisations. This was identified as a particular issue by firms providing business services where competition for experienced clerical/administrative staff was reported to be very high. Several companies providing insurance services put this down to a skills shortage and the changing nature of an industry whose services were now provided through call centres.

## Retention issues

As identified by the 2003 Annual Small Business Survey (Atkinson and Hurstfield, 2004), retention was seen as less of an issue by the owner-managers than recruiting staff. Asked about retention, a sizeable minority felt this was not a problem although the majority had experienced problems frequently in some area of their business. The main reasons given for employees leaving are illustrated in Figure 2. It should be noted that no recorded data of the reasons why employees left was available within the participating businesses.

**Figure 2. The main reason given for employees leaving the organisations**



Hours of work were not seen as a particular problem when it came to recruitment but were identified by nearly half of the employers as the main reason why employees left, followed by just over a third who saw pay as the key cause. Leaving aside those reasons which were either unknown or not easily categorised, the third most frequently identified reason for leaving was family commitments. This suggests that flexibility in hours of work is a fruitful area for small service sector business employers to explore in terms of developing HR policy and practice as an aid to recruitment but even more so to assist retention. Notwithstanding this, for some of the service sector businesses, for example hotel and catering and the entertainment industry, the nature of the work means that unsocial hours are a defining characteristic of the sector. Owner-managers pointed to this as the reason for the heavier utilisation of part-time staff, higher turnover and less reported incidents of family friendly arrangements in these industries.

Opportunities for career progression, which had not featured highly as a recruitment issue, were identified as a significant retention issue in both the telephone interviews and the case study organisations. Other conditions of employment hardly featured in the reasons identified for individual staff leaving, despite being singled out as an issue when recruiting employees.

Whereas competition with larger employers was reported as the second most significant factor by those who experienced recruitment difficulties, this was less frequently mentioned when it came to employee retention. However, it may have been the case that employees who were said to have left because of pay, working hours, family commitments or career prospects, did so in order to join a larger employer.

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Whereas competition with larger employers was reported as the second most significant factor by those who experienced recruitment difficulties, this was less frequently mentioned when it came to employee retention. However, it may have been the case that employees who were said to have left because of pay, working hours, family commitments or career prospects, did so in order to join a larger employer.

Three case study organisations had pro-actively addressed working hours as a means of addressing their recruitment difficulties. The experience of a self-employed contractual model adopted by the owners of one city centre hairdressing and beauty salon was positively reported on the grounds that it allowed the workforce to select the hours they were available for work (although this was highly driven by their clients' requirements). In their view this provided individuals with considerable flexibility in balancing the demands of work and their personal lives. The managing partner of this business saw the autonomy offered by such contractual arrangements as the explanation for the low level of staff turnover in an industry where the retention of experienced staff was frequently a problem. Their approach was felt to have enhanced the local reputation of the business within the industry, so that, if recruitment was necessary, vacancies could be filled by stylists who had already registered an interest in joining the company. It was described by the owner as *'an arrangement that suits us all, they plan their availability each month and agree, among themselves, how the late nights we offer are to be covered to keep our clients happy'*.

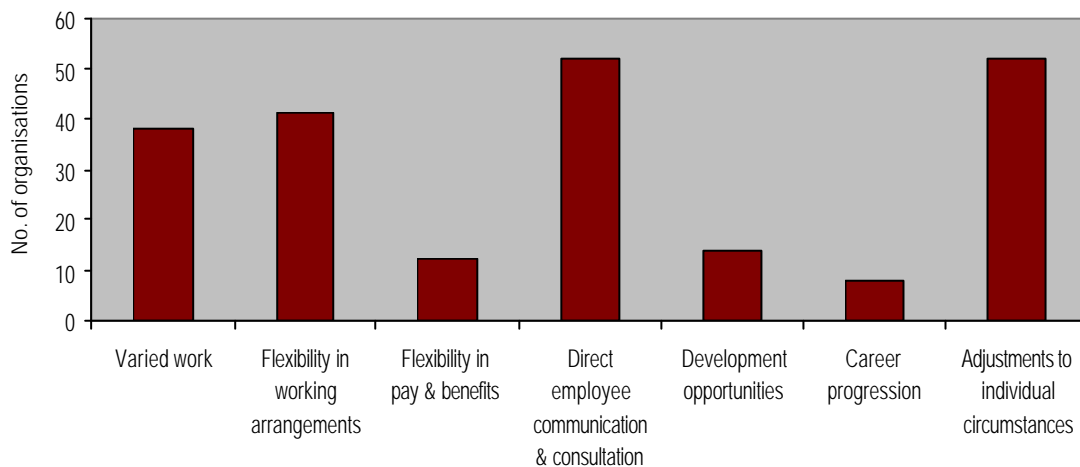
A recruitment and selection company specialising in office staff and payroll services had found it particularly difficult to attract and retain experienced payroll staff, who were predominantly male, and recruitment consultants, who were predominantly female. These two groups of staff sought different forms of flexibility and this had been pro-actively addressed as part of a package of HR measures aimed at improving staff retention (see Appendix A, Case Study 5). An interesting and very different approach had been adopted by a voluntary sector organisation providing IT training to the disabled. The majority of the tutors employed had disabilities and there was a highly flexible approach to meeting their different needs and providing for cover if their disability meant they had to take time off (see Appendix A, Case Study 12).

# 4

## Flexible working provision

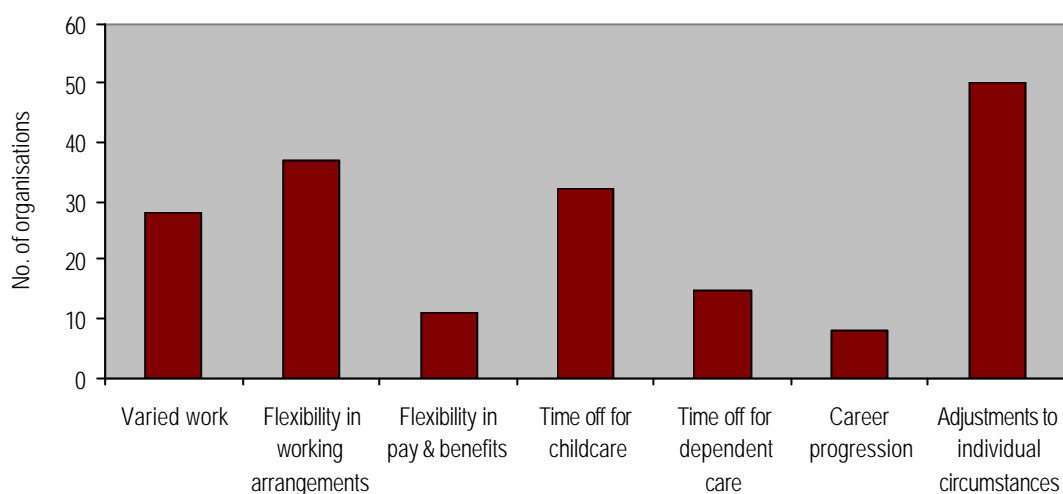
To explore how the owner-managers viewed their potential as small businesses to be flexible and responsive to their employees needs, they were asked about their ability to offer varied work, flexibility in working arrangements and pay/financial benefits, direct employee communication and consultation, development opportunities and career progression, as well as adjustments to working hours to meet individual circumstances compared to larger employers. Their responses are set out in Figure 3.

**Figure 3. Small employers' perceptions of their ability to be flexible and responsive to employees' needs compared to large employers.**



Every business contacted reported they were able to offer some form of flexibility to their employees, ranging from flexible working arrangements to the variety of work offered. When asked what was actually offered to employees, the actual provision illustrated in Figure 4 overleaf only partly reflected what was identified in Figure 3. In other words, employers' perceptions of what they felt small businesses could offer in relation to flexible working differed somewhat from what they actually offered in practice.

**Figure 4. Current provision**



The most frequent form of flexible working provided by small businesses was adjustments to working hours to accommodate individual circumstances. This was identified by most of the employers. Of this reportedly high level of employers who offered adjustments to working hours to meet individual circumstances, two-thirds had received requests for flexible working hours due to childcare responsibilities from their employees. Some of these arrangements pre-dated the right to request flexible working implemented in April 2003. This may possibly explain why only a third of employers, in response to a specific question about the statutory right to request flexible working, said they had employees who had formally exercised their right under the legislation. When asked a more general question about what they offered as smaller businesses, the employers provided examples over a period of years where they had made adjustments to meet individual circumstances on both a long-term and short-term basis. These were almost entirely described as 'ad hoc' arrangements agreed between employer and employee to accommodate a particular set of circumstances that had arisen in the course of employment; the most frequently mentioned being childcare responsibilities although there were examples of temporary adjustments to working hours to care for an elderly dependent or other immediate family members.

The most commonly reported form of flexible working offered was flexible starting and finishing times of up to an hour at each end of the working day. The usual arrangement was a choice between an 8.30 am or 9.00 am start time but some of the case study organisations had female staff with young school age children who worked every day but finished at 3.30 or 4.00 pm. Early finishing on a Friday was already operating in a small number of the businesses who worked office hours and was actively being considered by some of the organisations.

### **Reasons for offering flexible working arrangements**

The most common reasons given by employers for offering some flexibility in their working arrangements were (ranked in order of importance):

1. Employee requests.
2. To be a progressive employer or to aid recruitment and retention
3. In response to legal concerns or to increase employee commitment.

The majority of employers had offered some flexibility in response to employees' requests but the need to be viewed as a progressive employer and to support recruitment and retention also featured strongly. Asked to provide the main reason, many owner-managers felt it was a combination of reasons and this point was made again by the case study organisations. This is illustrated by the comments of the owner-manager of a recruitment agency: *'I do try to accommodate my employees' needs wherever possible just as I hope they will go that extra distance for me when needed. I think I have built a very committed team that way.'*

A similar view was expressed by the owner of a hairdressing salon: *'It is really difficult to keep good stylists and our industry has a poor image for its working conditions. We always do our best to help when employees have problems and this way we keep our staff but it is difficult in our type of business'.*

For the service sector, the implementation of flexible working arrangements was largely employee-led and reactive, although the links between individuals' needs, assisting retention and enhancing employee commitment were frequently acknowledged. Whilst the majority of the employers provided some form of flexible working, they did not categorise these arrangements specifically as 'family friendly' working. Their key motivation was to retain good employees by accommodating their needs and most of them were aware of an association between reciprocity in the employment relationship and developing employee commitment. As already identified, a link between recruitment and offering forms of flexible working was less frequently made except in the couple of case study organisations who had actively considered flexible working arrangements as a response to recruitment difficulties.

### **Reasons for not offering flexible working arrangements**

Only around a fifth of employers were unable to identify any current flexible working provision in their businesses. None of these owner-managers had yet experienced a formal request for flexible working due to childcare responsibilities. A number of owner-managers felt that the nature of the services they provided meant that flexible working arrangements were just not a realistic option because of concerns about the adverse impact these might have on levels of customer service. For example, the Managing Director of an insurance and financial services business who had operated one job share scheme explained that he had considered extending this but had decided not to do so because it could have a detrimental impact upon the continuity of service received by the customer. His rationale was that *'At the beginning of the week a customer could ring up and speak to one member of staff and then ring up at the end of the week and get the other job share person and have to explain everything again'.*

Others were concerned about making a distinction in a small workforce between those who could have some flexibility in their working hours and others for whom it would not be possible due to the nature of the job role. This concern was illustrated by the owner-manager of a printing services business who pointed out *'We have jobs here where the employees have to be ready to serve customers when the shop opens at 8.30 which means they have to be here 45 minutes before this to prepare the counter area. If they wanted to start work at 9.30 then the shop wouldn't actually be ready to open until 10.15'*.

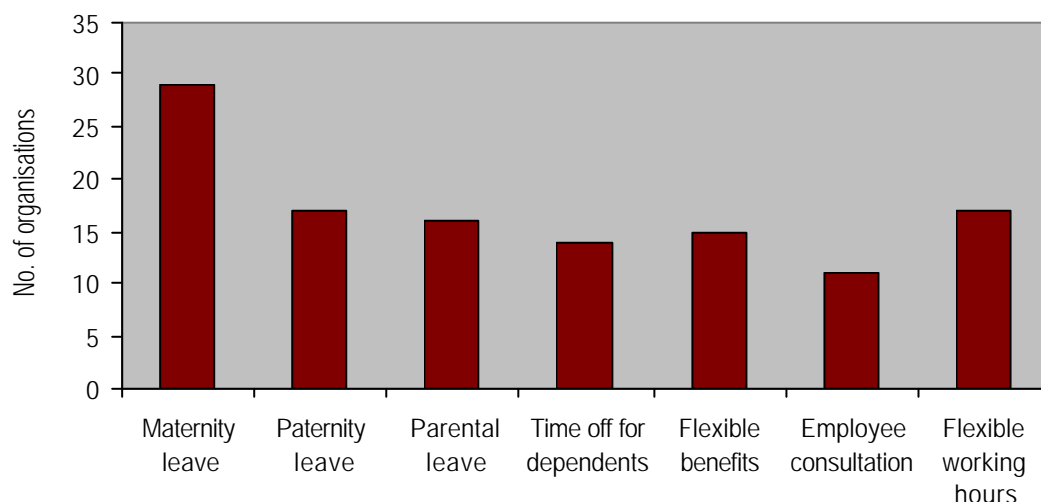
# 5

## Formalising flexible working

### Formal policies

In common with other studies of employment processes in small firms (Holliday, 1995; Earnshaw et al., 1998; Harris, 2002) the small businesses participating in this project indicated a marked preference for informal arrangements which could be adapted and modified to suit particular circumstances. It was seen as important to retain the necessary control to be able to take into account the prevailing operational context in reaching decisions about flexible working arrangements. Individuals were asked whether they had formal written policies on maternity or paternity leave, parental leave, time off for dependents, flexible benefits as well as employee consultation, their responses are set out in Figure 5.

**Figure 5. The extent of formal written policies**



Driven by legal considerations, their experiences and the need to demonstrate a consistency of approach, the most likely area for either a formal policy existing or being considered was maternity leave. It was also the area of family friendly legislation that nearly all the participating small firms had direct experience of and the one that gave rise to the most criticisms in terms of the burden it placed on their businesses. The main rationale given for implementing or planning to introduce a formal written policy was the perception that this would help to avoid inconsistencies of

treatment and be demonstrably fairer to employees as a more transparent approach. Where there was no policy, in common with small business managers in the 1998 Workplace Employee Relations Survey (Cully et al., 1999), the owner-managers said it was not necessary or was not appropriate for their businesses.

In the case study organisations formalisation of policy was linked to the presence of internal HR expertise and the only company which reported having a fully qualified HR professional was the most pro-active in implementing formal written policy on flexible working arrangements and developing these to address recruitment and retention issues. In terms of developing written policies, in only a few of the participating organisations was this the responsibility of a designated HR specialist. Around two-thirds identified that it would be the owner-manager or a business partner who would develop such policies, and for a small number of businesses it was the role of another senior manager, usually the Finance Director. The remaining employers felt it would be a task likely to be undertaken by an individual external to the company. As with the 2004 DTI report on the HR Pilots scheme, there is some evidence (albeit limited) in this study that access to HR expertise influences the adoption of a more pro-active approach to employment policies and practice.

### **Consulting and communicating policies**

Although some employers reported having a written policy on employee consultation, only seven businesses had entered into any form of consultative process with employee or trade union representatives about flexible working arrangements. However, most had discussed these at their regular meetings with staff. Where a written policy existed, nearly half of employers said these were communicated through an employee handbook and around a third sent a personal letter to each employee. Some made the policy known through a staff notice board and a few relied on email communication. A quarter of businesses said they also used a system of updating their employment contracts by sending to each individual a written amendment of any new policies or revisions to an existing one.

### **Knowledge of statutory leave entitlements**

Asked to rate their personal knowledge of the different statutory leave entitlements, owner-managers reported being most knowledgeable about maternity leave and the right to request flexible working but felt least knowledgeable about individual rights on paternity and parental leave or emergency time off for dependents. These responses reflected the employers' direct experiences and support the view that most small employers operate on a 'need to know' basis in terms of employment rights (Emmott and Harris, 2004) and seek guidance as and when critical incidents occur. Nearly all employers felt they were either knowledgeable or had limited knowledge of maternity leave rights. In contrast only ten employers felt knowledgeable about paternity leave or parental leave (although it is worth noting that many did not make a distinction between

the two forms of leave). Most employers stated that they had little or no knowledge of these entitlements. In contrast almost a quarter felt they were knowledgeable about the right to request flexible working although this left three-quarters reporting that they had little or no knowledge. The ratings for knowledge of the emergency time off for dependents rights was far lower, only a few described themselves as knowledgeable while most employers indicated that they had little or no knowledge of this statutory provision.

In terms of obtaining guidance on individual employment rights, the owner-managers were asked to identify the main source they used. Employers' or Trade Associations were mentioned most frequently, followed by Acas and the internet, whilst HR consultants, accountants, solicitors and Chambers of Commerce were all mentioned less frequently.

Comparing these responses to Harris's previous research (2000) into the sources of support and guidance used by owner-managers in small firms, the most marked difference is the less frequent use of solicitors and the significant growth in the use of the internet since the 1999 study. Nearly all employers in the current study, even if they did not regard the internet as the main source of guidance, reported using it as an initial source. Just as the participating small businesses reported in the HR Pilots' evaluation, these service sector employers saw the internet as a valuable means of obtaining basic information but preferred more personalised support when it came to guidance on actual implementation (DTI, 2004). In the case study organisations, those owner-managers who reported a minimal knowledge of individual rights were also more likely to observe that there was too much law and complain about its impact on the business.

# 6

## The employers' experience

### Level of take-up

It proved difficult to quantify the exact level of take-up of the different types of leave entitlements, partly because of the informality of these arrangements. Individuals were frequently unable to recall the precise details of employees who had taken periods of maternity leave or other family related leave. None of the companies reported monitoring the take-up of these types of leave. This may also be explained by the numbers employed by the organisations in this study, as Woodland et al. (2004) found that such record keeping was more likely to occur in larger workplaces. Over the past two years most of the companies had experienced having at least one member of their staff on maternity leave and, for the majority, this had involved two or more employees. Some businesses reported having had a significant number of their staff on maternity leave in recent years. For example, one travel company with 65 employees identified 12 staff who had been on maternity leave in an estimated four year period, similarly a recruitment agency with 24 staff had experienced 9 staff on maternity leave over a similar period and identified it as a critical issue for the business and its future growth.

Two-thirds of employers had received specific requests in the past two years from employees for changes to their working hours due to childcare responsibilities. Of these, over half reported that it had been possible to meet these requests, although in a quarter of cases, through a process of discussion, there had had been some modification of the employee's initial proposal. Possibly because of the informal nature of most of these arrangements, the owner-managers were not always able to identify the exact number of employees where such arrangements had been made and some had only been in place for a short period of time, but, where a number was provided, it normally involved one to three employees in total.

This figure does not include those companies where the self-employed status of the workforce meant that adjustments were made by the individual in the first instance prior to advising the owner-manager of their availability to provide services. Where such contractual arrangements prevailed, they were reported to be working well from the perspective of the owner-managers and as likely to expand further with any development of the business. There was no opportunity to explore these arrangements from the perspective of the workforce but it was reported

that there were no shortage of applicants to work under these contractual arrangements. Dedicated regular training was reported to be an essential element of this employment model, to promote and reinforce the required service standards.

There was, as anticipated, a lower take-up of unpaid parental leave. Only nine companies recalled having employees taking parental leave and three of these were employees on adoption leave. A fifth reported having employees who had taken paternity leave, but only two companies had more than one employee who had taken advantage of the entitlement. There were more reported cases of employees being granted unpaid time to look after dependents other than young children but there was again a lack of specific information. Nearly half of employers said they had agreed to unpaid leave for an employee to look after a dependent, usually an elderly relative or a partner, but again these were customised individual arrangements made when the need arose and some went back as far as five years, although these were the exception. The industry which reported the lowest take-up of flexible working was hotel and catering and entertainment services. This was explained by the general manager of one hotel: *'people know what they are signing up for when they work in this sector – we have to work when others play.'*

## **Benefits**

In response to an open-ended question about the perceived benefits, for a third of employers the most frequently identified benefit was 'a happier workforce'. For just over a fifth, it was the positive impact flexible working arrangements had on employee retention and for a further fifth a perception that it had led to increased employee commitment and co-operation which, in turn, had contributed to the smooth running of the business. For the rest, it was seen to be a combination of interrelated factors which helped the business but also helped employees to combine their home and work lives, although this was rarely described as promoting work-life balance. A more frequently articulated concept was that of reciprocity in the employment relationship, described in the following way by the owner-manager of one of the larger retail businesses, *'well it's really a case of you scratch my back and I'll scratch yours – at the end of the day we all have a vested interest in keeping this business afloat.'* Only two of the participating organisations objected in principle to the growth of employment rights to promote family friendly working but most of the companies felt these placed disproportionate requirements on smaller businesses. Nevertheless, of those employers who provided some form of flexible working arrangements, the majority felt there had been real benefits.

## **Disadvantages**

In just under a fifth of the participating companies, there had been no provision of flexible working to date, as it was not seen to be possible without eroding the provision of services by the company. The industry where this was most frequently identified was hotel and catering.

According to the organisations in this study, the major difficulty identified in providing flexible and family friendly working provision lay in arranging and paying for cover during periods of maternity leave. Nine of the case study organisations spontaneously expressed considerable concern about any government proposals to extend the statutory period of maternity leave from 26 to 39 weeks. For those employers with predominantly female workforces, this was viewed as likely to be a real impediment to their effective operation and even to the expansion of their businesses in the longer term.

Skill shortages in the industry could also impact upon how the companies felt they responded to employees' requests for flexible working arrangements, for example an owner-manager of one company providing insurance and financial services felt that sometimes he was '*held to ransom*' by his staff. If they requested flexible working, his position was that '*realistically my only option is to meet the request, as it is so difficult to replace anyone in my business*'.

As already identified, for some employers there were issues of equity; they were not able to offer flexible working arrangements to certain individuals because of their particular work roles but were able to offer it to others. The findings revealed that, particularly where co-operation among a small group of individuals was seen as critical, there was a similar concern raised by a quarter of the employers. They felt there was a basic unfairness in providing time off to employees with young children which could mean increasing workloads for other staff not able to take advantage of such benefits. This issue was raised and expanded upon by seven of the case study organisations. The view expressed by one of the financial services case study owner-managers typified the position of a number of these employers. '*In addressing the needs of one member of my staff, I may actually be unfair to some one else. Let's face it I worked for years without any such support when I had a young family.*'

The HR manager working in an entertainment venue business also explained her concerns over the ability to be 'fair' when dealing with childcare related absences. '*It does worry me that we allow parents to leave work to pick their children up from school but don't give staff without children the same time off.*'

In contrast, other owner-managers felt it was perfectly fair, if challenging to manage, to provide differing levels of flexible working arrangements, provided it was made absolutely clear from the outset to employees what was involved in their roles.

# 7

## Developing flexible working

The employers were asked about their future plans for developing flexible working. Three-quarters of those involved in the telephone interviews had no specific plans. When they reflected on this, they tended to suggest extended hours to enhance their levels of services to the customer rather than promoting practices to enhance employee wellbeing. For example, three companies providing financial or other business services identified that they would like to stay open for a weekday late evening. Job share was an option that a number of employers felt they should explore further on the grounds that it might help to address certain recruitment difficulties, although some felt it was likely to be too complex to organise.

Asked what might constrain them from offering flexible working, the majority of the employers identified that operational issues of cost and cover were the major barriers for small businesses. These constraints were explored in more depth in the case study organisations and their observations are summarised in table 3. As well as issues of cost and cover, these indicate that the nature of certain work roles are again seen as a reason why it would not be possible to develop flexible working in their businesses without a negative effect on customer service levels.

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**Table 3. Constraints on developing flexibility reported by the case study organisations**

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**Case study 1 – Retailer (convenience foods)**

'The current system works well, we don't need to introduce any more flexible working hours. Drawing upon our pool of student labour enables the store to take a flexible approach to hours worked.'

**Case study 2 – Internet retailer and manufacturer of women's wear**

'Job roles restrict the degree to which some staff can have flexible working hours. Some tasks just have to be done at certain times on the premises.'

**Case study 3 – Internet retailer (sports clothes)**

'It is impractical for us to have lots of flexible working arrangements as the firm employs only a small number of employees, it would be impossible to arrange adequate cover if different arrangements were introduced.'

**Case study 4 – Design, copying & printing services**

'Our current approach works well – extending flexible working arrangements to all our staff would be difficult as some job roles have to be conducted at a certain time each day and on the premises which might seem a little unfair.'

**Case study 5 – Recruitment and payroll services**

'We are very committed to offering flexible working arrangements and can see they have had real benefits in attracting and retaining staff but we are also very dependent on a female workforce, many of whom have or will have young families. It would be unrealistic not to recognise that issues of cost and cover present businesses like ours with particular problems.'

**Case study 6 – Recruitment agency specialising in office staff**

'We probably provide enough flexibility right now but any extension of maternity rights will be a major issue for us and it will restrict us in what we can offer to all our employees because of problems of cover.'

**Case study 7 – Will writing and financial services**

'Our present constraint is providing cover for employees – we will just have to employ more self-employed consultants, that is the direction our competitors are going in and we have had to follow suit in recent years.'

**Case study 8 – Hairdresser and beautician services**

'The way we organise things with our stylists working on a self employed basis really does give us all flexibility and I don't think there are any real constraints for us provided there is proper planning to provide the level of service for our customers.'

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**Table 3 (cont). Constraints on developing flexibility reported by the case study organisations**

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**Case study 9 – Hairdresser**

'To be honest I haven't really given it much thought but all these rights do give those of us working in our industry a lot of problems, it's very difficult to provide a service'.

**Case study 10 – Insurance brokers and financial services**

'The main problem we have with flexible working, job-sharing in particular, is making sure we have continuity in terms of the level of customer service people receive. In a perfect world we would employ everybody full-time but that's not going to work if we want to keep staff in a tight labour market'.

**Case study 11 – Sports and entertainment venue provider**

'Flexibility is limited because for 6 – 9 months of the year staff have to be available for long hours and specific times to meet customer demand'.

**Case study 12 – IT training for the disabled**

'We have the same problems of providing cover as everyone else, although in our organisation the mix of reasons may be rather different but we have also gained a lot of experience over the years and our flexibility is really a critical factor for us in recruiting tutors; our biggest problems are those of continued funding'.

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# 8

## Summary/Policy implications

While the findings of a study limited to a relatively small sample of service sector firms cannot offer widely applicable conclusions, they do provide insights into the operational realities of flexible working practices for small business employers in the service sector. There was a very considerable consistency in their reported experiences and the emergent themes in the telephone interviews and the case study organisations.

In terms of the employers' responsiveness to the needs of individual employees for family friendly working arrangements, this study reveals a generally positive story. They had frequently accommodated the requests of their employees for flexibility in working hours over a period of years, although their approach was largely reactive, informal and organised at an individual level. When employers made such provision, they identified the main benefit as the contribution it made to employee well-being at work, and there was a general perception that it improved employee commitment to the business.

Rather contrary to the reported findings from a *Future of Work* report on *Diversity in Britain's Labour Market* (Taylor, 2002), the majority of the small business employers in this study revealed that they could be both flexible and pragmatic in their workplace relationships and acknowledged that accommodating individuals' needs assisted employee retention. Yet, despite widespread reported recruitment difficulties in areas of the businesses, there was very little evidence that the ability to be flexible was recognised as a means of attracting labour.

Although the employers described themselves as disadvantaged compared to larger employers in terms of the employment benefits and career progression they could offer to prospective applicants, very few of them had identified or utilised family friendly and flexible working policies as an aid to recruitment. There was a lack of awareness of what could be provided. This was even though the majority of the participating companies felt that, as small business employers, they were likely to be more aware of, and thus in a position to be more responsive to, the individual circumstances of their employees than larger employers.

These findings suggest that there is a need for the provision of more dedicated guidance provided to small employers on the business case for flexibility in working hours and family friendly policies, with specific information about possible approaches. This could be addressed through a

wider dissemination of examples of flexible working practices, particularly those adopted by small business employers operating in the same industry who have taken a more pro-active approach. The evidence from the 2004 DTI Human Resources pilot schemes suggests that sharing good practice is more likely to have an impact if it is sector based and industry specific, such as through Employer or Trade Associations, who were reported to be a major source of guidance by the owner-managers in this study.

There was little evidence of the principled objection to the provision of individual employment rights reported in earlier studies of small businesses (Scott et al., 1989; Scase, 1995) even though these have expanded to include maternity, paternity, parental and emergency time off for dependents. Where it was found it was often linked to a lack of knowledge of the legislative provisions.

Most employers had responded positively to requests for flexible or reduced hours, although, for some, this was because there was felt to be no alternative because of their recruitment difficulties. Notwithstanding this, over half of the owner-managers acknowledged the potential for mutual benefits for employer and employee in such arrangements, and provided examples from their own experience. Where there was the experience of different types of leave and/or reduced hours working the identified disadvantages were related to operational problems of cover, cost and levels of customer service. Although cost was identified as a major constraint, as Bevan et al. found (1999), there was no reported monitoring of the cost and duration of any statutory leave or other flexible working arrangements.

Maternity leave had by far the most impact on the participating companies and, as a result, knowledge about the statutory maternity provisions was far greater than for other types of leave. Also, the legislation was the most heavily criticised in terms of its perceived disproportionate impact on small businesses. This was particularly the case among employers who were heavily reliant on female labour and likely to have young families; for a few of the organisations its impact on staff resources had been very considerable. There was an articulated anxiety about any Government proposals to extend the present statutory provisions, even though such observations were not sought as part of the research process. It was an issue that was also singled out for comment by the employers in all but two of the case study organisations. The prevailing view was that the present legislation was sufficiently generous and that any further rights could work indirectly against women of a certain age in the labour force.

In contrast, accommodating flexible working requests due to childcare did not appear to have presented employers with the same difficulties. This is largely explained by the numbers involved compared to the take-up of maternity leave, and the fact that it concerned reduced working hours rather than not working at all for a considerable period of time. In most instances employers had been able to respond positively to such requests and a fifth of them reported agreeing to short-term unpaid time off, or changes in working hours, so employees could care for other close

relatives when an emergency had arisen. The period of the arrangement, the extent of any reduced hours, the nature of the individual's role and the ability to provide cover from existing staff were all key factors in these decisions.

In practice, where there were reported instances of carer's leave for relatives, other than young family, these had been short-term only. The fact that this type of leave was already being provided by some of the employers in this study does not suggest that there would not be objections from small businesses to any Government proposal to introduce flexible working for carers (Sylvester, 2005). As Harris (2002) found in her earlier research, smaller business complaints about excessive employment rights are more likely to stem from the cumulative effect of the legislation rather than any one particular statutory intervention, although there is evidence in this study that the statutory maternity provisions are regarded as particularly burdensome.

This study's findings reveal that small business employers place a high value on their ability to flex their provision in individual cases. This partly explains their reluctance to formalise their practices unless the benefits outweigh the advantages of being able to treat each case on its merits. The perception was that formalisation would introduce more rigidity and bureaucracy, but the merit of a formal policy is increasingly being recognised for maternity leave where statutory rights mean there is no scope for discretion. Whereas Edwards et al. reported a generic informality of approach to maternity leave (2003), this was the area identified in the present study where there was most likely to be a formal written policy, or plans to introduce one. The main motivation for implementing a formal policy was to demonstrate consistency and transparency. Where there was some discretion in managerial decision making, informality was preferred, even though it was acknowledged that it might lead to inconsistencies.

Consultation with employees about flexible working arrangements is taking place, but not through formal processes. The employers saw the immediacy of their communication processes as an advantage they had over large employers and had no plans to formalise these at present. Yet the ability to provide fair and equitable treatment across the workforce was regarded as highly important, and the impact family friendly entitlements could have on co-workers without children was a growing concern to many of the employers.

In common with the CIPD's survey report on the impact of flexible working (2005) there were concerns that maintaining productivity levels meant additional work would fall on other employees not able to benefit from such arrangements. They frequently felt that a collective approach to fair treatment had real merits in the small business context where, if there was perceived to be favourable treatment of one employee compared to another, the negative impact upon goodwill and co-operation was likely to be intensified.

As far as their knowledge of time off rights was concerned, the employers operated very much on a 'need to know' basis but most reported having a limited knowledge and were the most aware (because of their personal experiences) of maternity rights. The internet was found to be an increasingly popular source of information on individual employment rights and there was evidence this had reduced the extent of reliance on lawyers. There was support for Emmott and Harris's finding (2004) that what smaller businesses really find beneficial is customised guidance on how to proceed in practice which, employers observed, the internet could not provide. It was noticeable that in the very few instances where a company had internal specialist HR expertise or where it was a personal interest of the owner-managers, there was likely to be more evidence of a pro-active approach to flexibility in employment practices.

Few of the employers had any future plans for developing flexible working, which further supports the view that there is a need for more information on how to strategically address work-life balance and family friendly issues to promote a positive image for small business employment in the labour market. Those employers that used a self-employment contractual model to provide aspects of their services intended to use this approach to support any future expansion of the business.

An obstacle to engagement with these issues among the service sector employers was that the language of family friendly working and work-life balance was firmly associated with Government initiatives viewed with some wariness by the employers. The reported reality was that family friendly policies and work-life balance was not a high priority on the agenda for a group of employers preoccupied with survival in a highly competitive environment. Most of the firms in the study did not engage positively when asked about such initiatives. Although businesses in the voluntary sector were found to be particularly responsive to their employees' needs, issues of funding and their continuing operation were far more dominant concerns.

In common with other small business research (Blackburn and Hart, 2002; Edwards et al., 2003) this study found evidence of antipathy to Government policies considered to be out of touch with the operational realities facing small businesses. The current rhetoric of work-life balance may also be a particular issue for small businesses in the service sector where certain employers felt family friendly working and employment in the sector were not mutually compatible.

The difficulty experienced in this study, of gaining initial access to small business owner-managers, is a feature of much small business research. It also illustrates the value of face-to-face contact in gaining better understandings of small business employment practices. This has implications for the design of future studies in the sector.

A key message to emerge from this study is that, at the level of the workplace, the majority of the employers *were* committed to addressing work-life balance issues for individual employees where they felt this was possible within the constraints of their businesses. However, the findings

suggest that these workplace actions are rarely sufficiently integrated with other employment issues, such as recruitment and retention, to maximise their potential benefits for the business.

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# Appendix A

## The case study organisations

### Case study 1

#### **The convenience foods retailer**

Employing 23 people, this retailer based in a city centre location opened in 2000 and sold predominantly convenience foods but also newspapers, magazines and stationery. The shop was governed by a student union which in total employed approximately 80 people. The personnel officer in the student union advised the store manager on all legal employment related matters and the store manager handled the day-to-day HR matters, like work rotas. Store staff were provided with an induction pack outlining such things as equal opportunities policies, training and health and safety. The store relied heavily upon temporary student staff to cover the long week and weekend opening hours, especially during term-time. In total 16 employees (all students) were temporary and seven permanent (non-students). Three of the seven permanent staff worked full-time and four worked during term-time only. The store operated a shift pattern that broadly fell into early morning to mid-afternoon and mid-afternoon to evening. Permanent staff worked set hours each week, however, the temporary student staff worked 'as and when' up to a maximum of 16 hours per week. Typically the student staff worked on the cash tills, managed deliveries or organised merchandising. There was little scope for varied work in the store as most staff had specific roles, so for example, the male staff handled all deliveries.

Many of the permanent non-student staff had worked for the student union or shop for a long time. The store manager, for instance, had been employed by the student union for 26 years. Nevertheless the store experienced some problems with retaining staff. Typically, once the student staff graduated they left the store. This meant that the store manager was constantly recruiting new student employees. Occasionally permanent staff also left, either because they wanted more hours if they worked term-time only or they were not suited to working in a busy retail environment. Recently the store manager had experienced problems with recruiting a member of staff to fill a term-time only vacancy. Despite advertising in local newspapers, she only received eight applicants. The store manager felt that most people wanted a full-time job rather than working in term-time only, even though a term-time only job would be

attractive to those with family commitments. The store manager also experienced problems in trying to recruit male staff. She believed that retailing was perceived by some as *'women's work'*.

The store manager tried to be as flexible as she could in terms of fitting around the individual working requirements of staff. One advantage of employing students was that she could call upon them at short notice to cover for absences and most students were happy to earn extra money. Permanent, full-time staff, however, were more reluctant to do this. The store manager emphasised how important it was for flexible working to be a reciprocal arrangement. She was comfortable letting employees leave early or start later providing cover could be arranged and staff were prepared to help her out when she needed people to work additional hours at short notice. Arranging cover could be problematic particularly in non-term time when only three staff worked. Flexible working, she felt, led to a content workforce and strengthened relationships between staff. Few formal requests for flexible working had been made to the store manager. Staff had taken little time off for family commitments either because they were students and had no children or they were employees with older children, although one employee had been given time off to care for an elderly relative.

## **Case study 2**

### **The internet retailer and manufacturer of women's wear**

Operating from a rural location, this business employed 30 people who were all female. Established in 1990, the company designed and produced women's swimwear, lingerie and dancewear and sold to the high street and directly to the general public through their website. All staff worked full-time and were permanent. Hours of operation were Monday to Friday 7am to 6pm and staff worked different hours depending on their job role. Staff were encouraged to multi-task so that absences could be covered more easily and customer demand levels could be met more satisfactorily.

There was no one person responsible for personnel matters but they were usually handled by the female owner-manager. Administrative issues were processed by the supervisor and office manager. The Acas website was used as the main source of legal advice. All details relating to statutory provisions were outlined in individual contracts of employment and reinforced through verbal communications. Despite having formal contracts, the owner-manager admitted that she did not always follow them, especially in relation to annual leave. One member of staff, for example, had requested an additional three weeks' unpaid leave. Although the owner realised that giving her permission could be seen as unfair to the rest of the staff, she had agreed the additional holiday out of concern that the employee would leave if she refused. Since they employed a female workforce, most of their experience of flexible working in the past had been related to maternity leave. Along with having to pay long-term

illness cover, these statutory provisions placed a large financial burden on the company which the owner-manager felt were particularly onerous on smaller employers.

The firm experienced recruitment problems, particularly in the manufacturing area of the business. Due to the general decline of the UK manufacturing industry it was extremely difficult to attract staff who had suitable sewing skills. Consequently, wherever possible the owner-manager tried to keep the staff that she had. These factors led to the company employing an older workforce. Time taken off by staff, therefore, tended to relate to looking after elderly relatives rather than young children.

Requests to work flexibly were, on the whole, met by the owner-manager, provided they corresponded with the needs of the business. One member of staff was only able to work school hours, however, she wanted to earn more money. To overcome this problem, the owner gave the employee small sewing jobs to do at home. Another employee would have lost all of her financial state benefits if she continued to work full-time. Instead, the owner reduced her hours to part-time so that the employee was still able to claim her benefits. In the owner's opinion a flexible approach to working led to a happier workforce and good retention rates. It also helped the business to run more smoothly; if work levels fell then some of the older staff were often grateful for fewer hours and if the work increased then some staff appreciated the overtime.

One of the senior designers in the company, who also helped to develop the retailing side of the business, was self-employed. Employing an individual on this basis had advantages for both parties. It meant that the individual could take additional work from other sources and it provided a cost effective business solution. The firm could alter her hours to reflect business demand and the business was not committed to pay, for example, sick pay and holiday pay.

### **Case study 3**

#### **The internet sports clothing retailer**

Established four years ago, this city centre based retailer sold sports clothing and equipment direct to the general public through its website and a small amount of merchandise direct to the high street and to sporting venues. The company employed 18 people and the split was 70 per cent male and 30 per cent female with two thirds of all employees working part-time. All staff were permanent, although more and more frequently the company used unpaid labour, in the form of students on six week work placements. If the students proved to be suitable, they were paid to work for short spells during busy periods such as Christmas and weekends. This helped the company to cope with fluctuations in consumer demand. Working hours were 9am-5pm Monday to Friday & 10am-4pm on Saturday.

Job responsibilities fell into three areas: customer service and fulfilling orders, dealing with suppliers / finance and the maintenance of the website. Although staff were expected to multi-task the owner-manager explained that this was *'a necessity in a small business rather than a luxury because the success of the business depends upon staff being able to turn their hand to different tasks at short notice'*. This was also beneficial to staff as it provided opportunities to develop their skills. The owner-manager was responsible for personnel issues, as well as the strategic aspects of the business. Basic alterations to the website were carried out by staff based at the premises. However for the more technical work, three staff were employed on a project basis. To employ such staff on a full-time contract would cripple the business, as salaries are typically £30k - £70k per person. Instead the company specified the work that was required (e.g. redesigning a web page) and the person was then paid for that specific task. In the owner-manager's opinion this worked well for the business as it avoided unnecessary fixed costs.

Generally the company did not experience severe recruitment or retention issues. The positions they recruited for the most were customer services roles. Since on-the-job training was provided right from the start of employment, potential applicants did not have to have customer service experience which meant that the company had a large labour pool to recruit from. The owner-manager explained that it was important to get the right *'personality'* for a customer service role, as some of the tasks could be mundane. Those people that had left customer services after a short period in the past were often looking for a more challenging role. Aside from this, other reasons people had given for leaving related to the hours of work. As the business was relatively new and the work was seasonal, staff were expected to work long hours at certain times of the year.

Most of the flexible working arrangements that occurred were informal and related to people's childcare commitments. One key member of staff had small children. If she needed to leave early or come to work later, this was accommodated by the owner-manager. He felt that *'this is only fair as she doesn't take a lunch break and works long hours at certain times of the year'*. He regarded flexible working as a *'two-way process'*, explaining that *'if you keep saying 'no' to staff requests, people get annoyed and you can't expect them to do you work related favours in return'*. Although the owner-manager regarded flexible working as a two-way process, he felt that, in the past, some staff had exploited the arrangements causing the balance to be tipped in the employee's favour. This had caused friction in the workplace as the owner-manager felt that he was not getting adequate employee commitment in return for allowing staff to work flexibly. Apart from ad hoc flexible working arrangements the company did not have any formalised flexible working patterns. In the owner-manager's opinion, making the arrangement more formal was not necessary because it would *'make paperwork for the sake of it given the small amount of people we employ'*. He also added that *'at the end of the day it's OK making all these formal documents but if you are not in*

*business next week there is no point'*. He did recognize, though, that if the company employed more people then he would have to consider formalising flexible working arrangements.

The owner-manager believed that having informal flexible working arrangements created benefits for the employee and the business. Employees appreciated the ability to be flexible in their working day and this built their commitment to the business. The only drawback to flexible working arrangements the company had experienced was that sometimes it was difficult to arrange adequate cover. It was recognised that introducing more flexible working arrangements in the future would be beneficial to staff and the business. Currently, though, this would be inappropriate, because if there were several different arrangements in place and only a small number of staff, it could lead to work not being completed and severe difficulties in arranging cover. Larger businesses, in the owner-manager's opinion, could introduce such schemes more easily as they could 'absorb' the different working arrangements because they have more employees.

## **Case study 4**

### **The design, copying and printing services provider**

Based in a city centre location, this business was part of a national franchise and provided designing, copying, printing and digital document management services to local businesses and the general public. The company employed 16 male and three female staff and was established in 1998. All staff were permanent and only two employees worked part-time. The firm operated standard office hours so there was no requirement to work evenings or weekends. Roles within the business fell into the following areas: sales, digital reproductions, litho (traditional printing), reproductions and finishing documents (binding etc). However, the owner, where possible, encouraged his staff to multi-task. This enabled him to adapt to the demands of the business and provide opportunities for developing his staff. Difficulties with recruiting suitable staff were experienced in some areas, in particular those roles that required specialised skills such as working on the traditional print press. The business did not, however, have employee retention problems.

As a franchise, the owner-manager who was responsible for the management of personnel matters received free guidance from the franchise group on employment issues in the form of a staff handbook, corporate website and call centre. This proved to be beneficial for the owner-manager as he was not forced to '*start from scratch*' in terms of generating company employment policies. However, there had been problems with this guidance in the past as it was not kept up-to-date, forcing the owner-manager to pay for advice from his solicitor.

Flexible working arrangements were offered to staff providing they met with the needs of the business. Such arrangements normally arose as a

result of employee requests. Commenting on these requests, the owner said that *'you can't say 'yes' 100% of the time, but if it works for the business then I don't see any reason why we can't do it'*. Overall he felt that dealing with flexible working practices was a *'balancing act'* between accommodating employee requests and ensuring the smooth running of the business. One example of where an employee's requests had been met was where one individual worked from home one day a week to look after his child. His wife worked full-time and they had childcare help for the other 4 days a week. However the day that the employee worked at home varied each week. This did not present the business with any operational difficulties as the employee's role meant he could work from home. Similarly, the owner also agreed to a request from two other members of staff who wanted to work from 7.30am to 4.30pm rather than 8.30am – 5.30pm. For other roles, such as printing, counter service and deliveries it would be more difficult to be flexible. These roles involved tasks that needed to be completed at set hours and/or on the premises.

In the owner's view it was important to try and accommodate requests for flexible working as it helped to develop a good team of people which in turn was important for the long-term success of the company. Being flexible led to increased staff loyalty and allowed him to *'call a few favours in'* when he needed staff to work, for example, different hours or overtime. He did state, however, that he was not sure that all his staff appreciated his flexible approach to working, as most of his staff had not worked for large firms, where he felt there was less flexibility and more rigid working hours. In his opinion some staff assumed that flexible working was the norm in all businesses. He also felt that a few staff had exploited requests for flexible working. One employee, for example, was absent during a very busy period which resulted in problems trying to arrange cover.

## **Case study 5**

### **The recruitment and payroll services company**

Established in 1986 to provide recruitment and payroll services, this company employed 11 staff working in payroll services and 29 staff specialising in the recruitment of office staff on a permanent or temporary basis. The recruitment service part of the business had four subsidiary offices in addition to its Head Office located in a new business park just outside the city centre. Employees worked traditional office hours and business services were provided from 8.30pm to 5.30pm weekdays, with no requirement to work weekends. At times there was a need for the recruitment consultants to be available for clients in the early evening and to attend evening networking functions.

The company had employed a fully qualified HR specialist since 1999 who worked 22 hours a week to accommodate childcare responsibilities. As a result, the level of internal knowledge about individual employment rights was high. This was viewed by the owner as a real advantage for the

company and in her opinion it had contributed to the organisation's positive approach to employment issues. The workforce was predominantly female with only six male employees, five of whom work in payroll services. All the staff were permanent and only two were specifically appointed to work part-time. Recruiting staff of the right calibre was reported as frequently being a problem, particularly attracting experienced payroll staff and recruitment consultants with the required skills. In the owner's view the problem was largely due to competition with other employers for suitably skilled staff and because the employment packages that small companies, like hers, were able to offer were not generally as good as those provided by larger companies.

To address recruitment issues and improve retention, the company had introduced a range of benefits six months ago, as exit interviews had identified that the benefits package was an issue. Staff could now elect to work early or start later and also to work reduced hours to meet family commitments. An early lunchtime finish on a Friday scheme had been introduced at Head Office on a rota basis and monthly attendance bonuses had been introduced into the pay roll business because of the impact that one person's absence could have on that service.

In terms of the take-up of statutory leave and flexible hours due to childcare, four staff who had worked full-time now worked reduced hours. One member of staff had taken adoption leave, two had recently taken maternity leave and a third employee was about to start a period of maternity leave. The statutory maternity provisions were seen as particularly onerous for small businesses although this employer was very committed to developing an image as a progressive employer who valued and invested in the company's employees. This was recognised by a regional 'employer of the year' award, won by the company a couple of years ago.

The company operated partial homeworking on an informal basis and was planning to formalise its written policy on maternity leave. Written procedures were well developed within the company and individually communicated to employees. There were established informal consultation processes with staff although no formal consultation procedure. This was not felt to be necessary as direct communications were seen as a real advantage that small business employers had over larger employers; as the owner observed *'There isn't very much going on that I don't hear about very quickly'*.

The company's owner felt it was important to adopt a pro-active approach to employment issues and the strategies that had been put into practice had been effective in addressing recruitment and retention issues. There were concerns about the equity of flexible working arrangements if they were limited to childcare responsibilities. There was a discomfort shared by both the owner and the HR manager that they might have to say *'yes to one individual and not to another'* due to business needs or their work role. Efforts had been made to address this by having arrangements that would benefit all staff but, in a small business environment, the

operational difficulties in providing cover and the associated costs would not be ignored. There were limits to what could be provided without damaging the level of customer service.

To date, it had been possible, with some modifications, to accommodate individuals' needs for reduced hours, retain their skills and increase their commitment but it was recognised that this was dependent upon the goodwill and co-operation of other members of staff. In the owner's view any extension of statutory maternity rights would create considerable operational difficulties for the business in terms of both cost and cover. Most of the core staff were married women in their thirties who had or were likely to have children. One solution proposed by the company was to explore the possibility of having more job share schemes in the future and to extend partial home working but it would have to be clear that such developments would not impact on the business's performance.

## **Case study 6**

### **The recruitment agency**

This city centre employment agency was established 18 years ago and specialised in recruitment and temporary agency services primarily for office staff. It had grown significantly since then and now has outlets in two cities in the East Midlands and employs 25 staff. Staff worked traditional office hours but could elect to work 9.00 am to 5.30pm or 8.30 to 5.00 pm. There was no requirement for weekend or late evening working but when things were very busy staff worked later if needed and received time off in lieu at a later date. The owner-manager's husband joined the Company to act as its Finance Director as the business expanded.

The owner-manager had a personal interest in personnel management matters and took all the staffing decisions. Her personal philosophy was that if employers worked hard at developing a good relationship with their staff and took a genuine interest in their well-being it was usually repaid with increased commitment and loyalty to the business. In most instances that had been her experience, although she had thought in a couple of cases that employees had taken advantage of the situation whilst on maternity leave and delayed their return to work by taking additional periods of sick leave.

The business employed a totally female workforce, apart from the Finance Director. Nine staff worked part-time due to family commitments and seven of these had reduced their hours since having children. Turnover was low but if staff did leave it was very difficult to get suitably skilled staff as replacements. Not only did they have to have the right skills but it was very important that they fitted into the team, as working together was a key feature of the job. Staff often needed to cover for each other so co-operation and good working relationships were very important. When there had been friction in the team, it had led to losing business clients

but fortunately the present team had worked together for some time although they were currently covering for an employee who was on long-term sick leave. It was also difficult to recruit reliable employees because there was a lot of competition for good staff. It was a candidate driven market so individuals frequently moved jobs to get increased pay.

The business experienced problems competing with large employers for staff, and the owner felt it was difficult for smaller employers to offer attractive employment packages and career prospects. In addition, the owner felt that there could be an image problem with small business employment. Nonetheless, in the owner-manager's opinion the conditions of employment in the business were good and the agency's reputation as a good place to work was established in the area, which helped when it came to replacing staff. Due to the heavy demand for high quality staff, temporary staff were often employed as it was an opportunity to test out individuals' abilities.

A major issue for the company was that it was heavily reliant on a female workforce, many of whom had, or would like to have, children. In the past, nearly half of the workforce had taken a period of maternity leave and the impact on the company had been significant. The problems of cover were considerable and had negatively impacted on company performance. It was a concern for this employer that staff without young children had experienced increased work load as a result, as it was often better for the business to use experienced staff than try and provide cover with someone less experienced. Using experienced staff was preferred because the business operated in a highly competitive environment and relied on repeat business, so one mistake could lose a client.

## **Case study 7**

### **The will writing and financial services provider**

This business, providing will writing and financial planning services, was established 14 years ago. It had recently relocated to a small business park very close to the city centre. The company employed 13 full-time staff but a further 50 self-employed consultants. Nearly two-thirds of the workforce was female and everyone directly employed worked full-time. A number of the consultants worked part-time, especially those providing financial planning services who were also more likely to have other employment. There had been a period of significant expansion for the company and the self-employed consultant model that had been adopted was working well. It had been supported by the recent appointment of a full-time Training Officer, as dedicated training was seen as a key factor in ensuring that the present approach operated effectively. At the time of the visit to the company a major training programme of new consultants was just getting underway. This provided the opportunity to observe how the company ensured there was common understanding of the standards of service that were expected.

There were difficulties in recruiting suitably skilled consultants with the right experience and personality for the role and also in attracting and retaining good telesales staff. There was a high level of staff turnover in the telesales team, as it was a high-pressure job and there was really no scope for career progression within the business. There also seemed to be a shortage of experienced administrative staff and a lot of competition with larger employers for good applicants. The self-employed model adopted by the company was based on individual consultants having a percentage of any sales they generated.

In terms of flexible working, the senior manager who was interviewed did not really feel the company was able to provide this due to the nature of the services. It was a very competitive industry and if anything, they needed to be thinking about extending the services to the company rather than thinking about employee-led flexibility at the present time. Having made this observation, it was apparent that two members of staff had been on maternity leave and another had been given time off to care for an elderly relative.

Although the manager felt she had little or no knowledge of employment legislation, her view was that there was too much legislation which placed a disproportionate burden on the smaller business. Maternity leave was singled out for particular comment because it led to significant operational problems of cost and cover. Family friendly rights were seen as a *'nice thing to be able to offer if affordable'* but there did need to be more consideration of the practicalities for the smaller business. There were no plans to introduce formal written policies, although the advantage of procedures that would assist a consistency of approach were acknowledged if they reduced any sense of differential treatment between employees. The employer regarded the self-employed contractual model as the best way to proceed to achieve its plans for future expansion.

## **Case study 8**

### **The hairdressing and beauty salon**

This city centre beauty and hairdressing business was family owned and ran by three partners who had two city centre salons operating independently of one another. The largest and newest salon was the subject of the case study and was located in a prime city centre site with a workforce of 31 staff, although only the nine trainees and the two receptionists who job share were directly employed. The remaining hair stylists and beauticians worked on a self-employed basis. Only one of these worked part-time although the others adjusted their working hours to accommodate commitments in their personal lives. The majority of the workforce was female. When the salon was established nearly four years ago, it was decided to adopt a self-employed contractual model in the light of the recruitment and retention difficulties widely experienced in the industry. The salon was open until 9.00 pm every weekday evening except on Monday when it opened until 7.00 pm.

The partner who managed the new salon attributed recruitment and retention difficulties to competition with other employers for skilled labour and the problems of retention in an industry associated with poor conditions of employment and low pay for long hours of work. Pay was regarded as the main reason for high turnover which was why a model of self-employment was seen as a better approach. It meant stylists could self-select the hours they wanted to work and have more control over their earnings. In the owners' view this approach had provided the salon with the flexibility seen as essential for competitive advantage and had been a major factor in the rapid growth of the business. The business had grown from six to 30 staff in three years and there were plans for further expansion.

The flexibility achieved was seen as having mutual advantages for both parties. The owners were able to offer late night opening every evening during the week, with each stylist electing to work one or two nights each, but they were able to arrange their hours around their other commitments and indicate times when they would not be available for work. This planning was done on a monthly basis. Before moving to the present contractual model many different approaches to staffing had been tried in the owners' previous hairdressing businesses but self-employed status seemed to provide the most effective use of time and reduce 'dead' time.

The company paid any VAT liability and for training seminars both on and off site which were organised by the Training Supervisor. Because of the self-employment model, there was no specific information available about the time taken off for family related reasons, although one stylist had reduced her hours to work part-time, to accommodate childcare, and it was known that hours were adjusted weekly to accommodate other dependent care. The rotas were agreed weekly and each stylist had responsibility to keep their clientele informed of their hours of work. The partner responsible for staffing matters felt his knowledge was limited on the statutory leave provisions but he would seek guidance from the Federation of Hairdressing if necessary. He was comfortable with his knowledge on maternity leave and the right to request flexible working but less certain on the other types of leave although it did not currently have a major impact on the business.

Since operating this model, staff turnover had been very low and recruitment had not been difficult as it was known that the business invested in its staff and that there was the potential for higher earnings, as well as more choices in the hours worked. If a vacancy did occur there was rarely a need to advertise as there was a waiting list of applicants interested in coming to work at the salon. Clearly the self-employed model could be more difficult to operate at a smaller salon but this owner felt the self-employed model was the way forward for the industry. It was not quite the same as the traditional 'rent a chair' system as it operated on a system of a percentage of gross turnover for each individual. There was an incentive for individuals to grow their client base and work longer hours. One stylist had decided to stay at a lower level of earnings, because of the flexibility this provided, but it would not be possible to accommodate many such instances. Issues of quality and standards were

addressed through regular training events but all the stylists and beauticians still had to be very carefully selected to ensure they met with the standards of service required by the owners of the salon.

## **Case study 9**

### **The city hairdresser**

This city centre hairdresser had been in business for 16 years and was owned by two partners, one of whom acted as the managing partner and worked full-time in the business dealing with all employment decisions. There were 20 employees working full-time, four part-time staff and two college placement students. Only six of the present workforce was male. The salon was open on four late evenings during the week, closing at 8.00pm on Wednesday and Friday and 7.00 pm on Tuesday and Thursday. A roster system was in operation to cover the late evening working.

The owner-manager reported difficulties in recruiting experienced stylists, particularly those with expertise in hair colouring, which was an identified area of skills shortage within the industry. Although high turnover of experienced staff was a characteristic of the industry, the turnover rate for the business was quite low. The managing partner attributed this to the company's paternalistic approach to its employees which it was felt encouraged personal loyalty. However, when staff did leave it was very difficult to replace them. The previous year three stylists had left in a period of six months for family reasons and the business had experienced problems as a result. In particular, clients often moved to another salon with the stylist when they left.

The managing partner felt that wherever possible he tried to accommodate personal circumstances experienced by staff and which impacted on their ability to work normal hours but made the point that service to the clients had to come first. The very nature of hairdressing meant long days and it was difficult to succeed in the industry without being prepared to work the necessary hours. To reinforce this point, an example was provided of an employee who had been dismissed because they had not been able to provide the required working hours even though it had been made clear at the start of employment what was expected of them.

At the present time only one member of staff was working reduced hours to accommodate childcare arrangements, the owner-manager felt this could lead to operational problems especially when resources were stretched at holiday times. A greater difficulty was providing cover during maternity leave. There had only been two maternity leave cases in the past few years and in both instances the employees concerned had eventually decided not to return to work at the salon. One had returned for a very short period working part-time but had found the demands of

the job with a young child too much. The absence of these two stylists had a negative impact on the business as they were both very experienced and had quite a large personal clientele.

The managing partner said his knowledge of the legislation on the different types of leave was very limited and in some instances probably totally lacking. If he needed to know something he would probably contact the Hairdressing Federation. Despite an acknowledged lack of knowledge of the legal provision, this employer felt there was far too much employment law and that the balance was too much in favour of the employee which made it very difficult for small businesses trying to provide a service.

There were no formal employment policies, any flexible working arrangements were informal and agreed when the need arose. Formal policies on flexible working or special leave were not seen as necessary or appropriate for the business. The ability to retain control to reflect the needs of the business was seen as critical by the employer. It was acknowledged that there was no one internally who had the expertise to draw up formal policies if they were needed, although the managing partner did feel that there could be certain employment areas where there did need to be some written policy. He did not have the time to do this personally and was not sure how he would address this issue but thought he would probably ask his lawyer for assistance. There were no identified plans to develop flexible working within the business and the general approach would continue, that is, to address any issues as and when they arose.

## **Case study 10**

### **The insurance brokers and financial services provider**

Located in the suburbs, this small business provided financial advice and acted as an insurance broker. The business had been in operation for 44 years and had 27 employees, equally split between males and females. All except six staff worked full-time and all except one were permanent employees. The standard hours of work were 8.30am-5.30pm Monday to Friday and Saturday mornings. Depending upon customer demand, some staff were also required to visit clients in non-office hours to discuss financial packages.

The company experienced severe problems trying to recruit trained financial advisors. Whenever they advertised for these positions they received applicants who had worked in call centres rather than individuals who had been properly trained in providing financial advice. The number of suitable applicants had also been negatively impacted by the demands of the FSA (Financial Services Authority) which state that anyone giving advice to customers on financial matters must have competent knowledge of the sector. To overcome the lack of suitable applicants the business

undertook external training to develop their office staff into skilled financial advisors. Retention problems were not experienced in the organisation.

Adherence to the demands of the FSA had also led to the company appointing a FSA Compliance Officer. This individual, along with the owner-manager, handled all personnel issues. In the owner-manager's opinion, the FSA had made a positive impact on how staff are managed, in particular the FSA had highlighted the importance of managers consulting and communicating directly with staff and the worth of formalising the employment contract. To ensure the most suitable person was selected to fill a vacancy and to meet with the demands of the FSA, the organisation also had to record the details of all recruitment decisions.

The company had incorporated some formal flexible working arrangements. This was mainly to ensure that they kept staff, avoiding the need to recruit from a limited labour market. So, for example, two valued employees who returned from maternity leave needed to fit their work around their family commitments and a job-share scheme was set up to meet with this requirement. Similarly, an older member of staff was allowed to reduce her hours because the employer recognised that she was a respected member of staff. Informal flexible working arrangements were also granted on an ad hoc basis.

The main drawback of flexible working was reported to be the negative impact it had on customer service. The owner-manager was concerned, especially with the job-share arrangement, that customers might have a lack of continuity in terms of the staff who deal with their query. He also felt that sometimes *'we allow staff to use us'*, meaning that there was an expectation amongst employees that, if they requested different working arrangements, or even more pay, for example, their requirement would be met. Staff were very aware that if their needs were not met they could leave and it would be difficult for the firm to replace them.

## **Case study 11**

### **The sports and entertainment venue provider**

This long-established business located on the outskirts of a major city in the Midlands, employed approximately 80 staff, although during sports events these numbers swelled to 200 to cope with the increased spectator numbers. Staff were employed in a number of different areas, including administration, ticket sales, maintenance, retail and catering. Out of season the staff worked 9 am - 5 pm, however, during match times these hours extended to include weekend and evening work. All staff were made aware of these additional working hours when they began their contract of employment. Approximately 60 per cent of staff were male and 40 per cent female. All except five staff worked full-time.

Each year the business experienced problems trying to recruit the additional staff required for the sports events. In particular they found it problematic trying to appoint steward staff that were prepared to work for a short amount of time and were physically fit to cope with the health and safety requirements of the spectators. Generally they did not have retention problems because, according to the Personnel and Finance manager, many employees regarded the working environment as a *'lifestyle which pulls people in and so they are reluctant to leave'*.

On the whole, requests for flexible working from employees were considered 'case by case'. Few incidents of childcare related requests had occurred as not many staff at the business had children. One exception was the Personnel and Finance manager. She had been the first person in the business to approach the CEO about leaving early, when necessary, to collect her child from school. She was granted permission to do this, as was one employee in maintenance who had requested a reduction in his hours due to deterioration in his physical health.

Although there were a few cases of formal flexible working, the nature of the business restricted how much flexibility could be provided. During the match season, which equated to six to nine months of the year, all staff had to be available to work their full hours. Despite all staff being made aware of this, they had one incident where a member of staff was absent due to non-work related commitments whilst matches were being played. This caused considerable difficulties in trying to organise workloads and provide adequate cover in an already stretched department. Concern was also expressed by the Personnel and Finance manager regarding flexible working practices and issues of workplace fairness. In particular she was aware that staff were given time off on an ad hoc basis to look after children and/or dependents, however, similar allowances were not made for staff without children or dependents. In her opinion managing this was a real issue but she was unclear about how she should resolve it.

The Personnel and Finance manager felt that the organisation had good knowledge of paternity and parental leave as they had recently had a request for this. They had less knowledge of maternity, time off for dependents and requests to work flexibly as the business had not had any of these requests formally. If they needed employment related advice the Personnel and Finance manager contacted an employment solicitor who was 'invaluable' because wherever possible he tried to apply employment legislation to the organisation's working environment. This knowledge was supplemented by occasional training days provided by the solicitor, employment related sources on the internet and features in national newspapers.

## Case study 12

### The voluntary IT training services provider

The business, which was a voluntary provider of Information Technology training for disabled adults, was set up 15 years ago and had 52 staff; 12 who worked full-time and 40 part-time. There were 21 male employees and 31 female employees. All tutors were home based. Thirty-three of the tutors employed by the organisation were themselves disabled and they were supported by a number of volunteers, many of whom were also disabled. The IT courses were delivered between 10.00 am and 3.00 pm weekdays and the majority of part-timers worked around ten hours a week, whilst full-time staff worked a 36 hour week.

Retention was not an issue as most of the staff would have difficulty finding alternative employment that took into account their disabilities. The main reason reported for tutors leaving was a change to their personal circumstances. Recruiting tutors with the right blend of personality and experience was difficult due to skills shortages on the open market. This was overcome by internally recruiting students who had undertaken the IT programmes themselves. Experience had shown that past students were frequently the best tutors. They had the most understanding of the issues encountered by those attending the courses, although their disabilities meant that there had to be a flexible approach to working hours and arrangements for cover when necessary. In the Chief Executive's opinion, these staff had well developed coping strategies if their physical disabilities meant they have to take periods of time off. So, for example, each session had another person in attendance, usually a volunteer assistant, which meant that in the case of tutor absence the sessions could continue.

The company prided itself on the extent of flexible working arrangements offered to employees, this included offering flexi-time for all the full-time staff. The very nature of the services provided supported the Chief Executive's aim to be a progressive employer. Those staff who had worked for the organisation for longer periods of time showed a great deal of commitment to the organisation. A number had young children and a couple had requested reduced hours. To date it had proved possible to accommodate these requests. There were sometimes problems when employees returned from periods of sickness absence and sought to return to different work. In one instance an employee had wanted to do this but it had not been possible and consequently she left. Another had been off work due to family circumstances and then had wished to return on a different working arrangement. It had not been possible to agree to this and the employee had resigned and claimed constructive dismissal. The claim had not been successful although it took up a great deal of time.

The company was one of the few case study organisations that had formal written policies on maternity, paternity and parental leave as well as on flexible working hours. These were based on local authority procedures

which had been adapted to suit the organisation by the Chief Executive and then checked over by an HR consultant. One constraint in terms of costs was the present sickness policy which provided generous sick pay after six months of service and it was felt that this needed to be reviewed so that it was more affordable.

The Chief Executive saw the current flexible working provision as essential to the way the services were resourced and, if possible, would like to see the services developed to provide even more flexibility to students on the IT courses in the future. In terms of other future plans, the possibility of evening provision could be explored as well as a wider use of home tutoring although an important element of the present provision was the opportunity for social interaction. A key issue facing the company was that the locations used for the training programmes had always been Social Service day centres which had the necessary facilities and adaptive technology on hand but these premises were not going to be available in the future. The major preoccupation for the company was assuring funding for the continuance of its services, in addition to finding alternative, affordable and suitably equipped training premises.

# Appendix B

## Questionnaire

**Business reference number**

**Interviewer**.....

**Date**..... **Time**..... **Length of Interview**.....

**Introductory comments, reference to courtesy letter and ask if it would be possible to speak to owner-manager or person dealing with HR matters for the company now or at another time, explain about the project, assure confidentiality and ask if they could spare some time and how helpful it would be if they could do so.**

### **Q1. Company Profile**

- 1) Name & address of company
- 2) Individual's name & role in company
- 3) Type of business
- 4) Number of outlets
- 5) Age of business
- 6) Number of employees
- 7) Hours of business
- 8) Shift patterns
- 9) Requirement to work weekends
- 10) Requirement to work evenings in the week/weekends
- 11) Person responsible for personnel issues

### **Q2. What percentage of your workforce is?**

- 1) Full-time male
- 2) Full-time female
- 3) Part-time male
- 4) Part-time female
- 5) Permanent
- 6) Temporary

### **Q3. Is recruiting employees (circle one)**

- 1) Not a problem
- 2) A problem in some areas
- 3) Often a problem
- 4) Always a problem

**Q4. If recruiting is a problem, what do you see as the main reason?**

- 1) Competition with other employers
- 2) Skills shortages
- 3) Hours of work
- 4) Location
- 5) Pay
- 6) Career prospects
- 7) Image of industry
- 8) Image of company
- 9) Working for a smaller company
- 10) Other – please specify

.....

**Q5. Is retaining employees ? (tick one)**

- 1) Not a problem
- 2) A problem in some areas
- 3) Often a problem
- 4) Very frequently/always a problem

**Q6. What is the main reason employees give for leaving?**

- 1) Pay
- 2) Hours of work
- 3) Conditions of employment (other than hours)
- 4) Family commitments
- 5) Career progression
- 6) Travel to work problems
- 7) Development opportunities
- 8) Poor work relationships – mgt/colleagues
- 9) Job insecurity
- 10) Other – please specify

.....

**Q7. Which of the following, if any, do you feel a small employer is better able to offer its employees compared to a larger employer?**

- 1) Varied work
- 2) Flexibility in working arrangements
- 3) Flexibility in pay and benefits
- 4) Direct employee communication and consultation
- 5) Development opportunities
- 6) Career progression
- 7) Adjustments to meet individual circumstances
- 8) Other (please specify)

.....

**Q8. Which of the following do you offer at the present time?**

- 1) Varied work
- 2) Flexible working arrangements
- 3) Flexible pay and benefits
- 4) Time off for childcare – paid/unpaid
- 5) Time off for other dependent care – paid/unpaid
- 6) Direct employee communication and consultation
- 7) Training and Development
- 8) Adjustments to meet individual circumstances
- 9) Other (please specify)

.....

**Q9. What is the main reason for offering any flexible working arrangements you currently operate?**

- 1) Legal concerns
- 2) To be a progressive employer
- 3) Employee requests
- 4) Recruitment and retention issues
- 5) Increase employee commitment

**Q10. What are the reasons why these are not offered?**

- 1) Legal knowledge
- 2) Lack of internal expertise
- 3) Employee cover Recruitment and retention issues
- 4) Complex to manage and administer

**Q11. How would you rate your knowledge of the following statutory provisions? (identify one for each area)**

Knowledgeable    Limited knowledge    Little or no knowledge

1) Parental Leave
2) Maternity Leave
3) Paternity Leave
4) Time off for dependents
5) Requests to work flexibly for childcare

**Q12. Where would you seek guidance on the legislation?**

.....  
 .....  
 .....

**Q13. Do you have any written policies on the following?**

(If 'No' go to Q 21?)

- 1) Maternity Leave
- 2) Paternity Leave
- 3) Parental Leave
- 4) Time off for dependents
- 5) Flexible Benefits
- 6) Employee Consultation
- 7) Flexible working hours

**Q14. If you offer flexible working hours are these?**

- 1) Flexi-time
- 2) Job-share
- 3) Homeworking
- 4) Term-time only
- 5) Reduced hours from full-time to part-time
- 6) Compressed working week
- 7) Shift options (please specify)
- 8) Annualised hours
- 9) Other (Please specify)

.....

**Q15. Were these implemented after consultation with employee/TU representatives? (circle one)**

Yes / No

**Q16. Are any such written policies communicated to employees by?**

- 1) Personal letter
- 2) Notice Board
- 3) Written amendment to contract
- 4) Handbook
- 5) Email
- 6) Other (please specify)

.....

**Q17. What is the main reason for not having a written policy?**

- 1) Not seen as appropriate
- 2) Lack of internal expertise
- 3) Too expensive
- 4) Lack of time
- 5) Problems of cover
- 6) Other (please specify)

.....  
**Q18. Who would develop such policies for the business? (tick one)**

- 1) The owner-manager
- 2) Other business partner
- 3) Senior manager
- 4) Internal HR specialist
- 5) External consultant
- 6) Other (please specify)

.....  
**Q19. How many, if any of your staff have taken?**

- 1) Parental Leave  
.....
- 2) Maternity Leave  
.....
- 3) Paternity Leave  
.....
- 4) Time off for childcare  
.....
- 5) Time off for other dependents .....

**Q20. If so, has this led to any operational problems, please specify?**

.....  
.....

**Q21. Have you had requests for flexible working hours from employees? (circle one)**

Yes / No

Please can you describe the type of requests.

.....  
.....

**Q22. Were you been able to accommodate the request(s)?**  
(circle one)

Yes / No

**Q23. If no, what was the main reason for not being able to do so?**

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.....

**Discursive Questions**

**Q24. What have been any benefits of flexible working arrangements for your company?**

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.....  
.....

**Q25. Have there been any particular disadvantages of flexible working arrangements for your company?**

.....  
.....  
.....

**Q26. What flexible working arrangements, if any would you like to introduce in the future in your company?**

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.....  
.....  
.....

**Q27. At the present time what is the major constraint for you as a small business in developing flexible working arrangements?**

.....  
.....  
.....  
.....

***Close***

***Thank you very much for your time and valuable assistance***

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