

## Key concepts and terms

- *Annual hours*
- *Core–periphery view of the firm*
- *Financial flexibility*
- *The flexible firm*
- *Functional flexibility*
- *Multi-skilling*
- *Numerical flexibility*
- *Structural flexibility*

## LEARNING OUTCOMES

On completing this chapter you should be able to define these key concepts. You should also understand:

- What flexible working means
- Why flexibility matters
- The concept of the flexible firm
- How to develop a flexibility strategy

## Introduction

Flexible working is a pattern of working practice or working hours which deviates from the standard or normal arrangement. The aim is to provide for greater operational flexibility, improve the use of employees' skills and capacities, increase productivity and reduce employment costs. Flexible working has become increasingly important as a means of enhancing operational effectiveness.

Flexible working means reconsidering traditional employment patterns. This could include operational flexibility, multi-skilling, developing a 'flexible firm', the use of subcontracting and outsourcing, or introducing working

arrangements such as job sharing, home working and teleworking, flexible hours, and overtime and shift working.

## Forms of operational flexibility

Operational flexibility refers to flexibility in the ways in which work is carried out. The term is sometimes extended to include financial flexibility.

The three forms of operational flexibility are:

- Functional flexibility so that employees can be redeployed quickly and smoothly between activities and tasks. It may require multi-skilling – workers who possess and can apply a number of skills: for example, both mechanical and electrical engineering, or multi-tasking – workers who carry out a number of different tasks in a work team.
- Structural flexibility in a ‘flexible firm’, where the core of permanent employees is supplemented by a peripheral group of part-time employees, employees on short- or fixed-term contracts or subcontracted workers.
- Numerical flexibility, which is associated with structural flexibility and means that the number of employees can be quickly and easily increased or decreased in line with even short-term changes in the level of demand for labour.

Financial flexibility provides for pay levels to reflect the state of supply and demand in the external labour market and also means the use of flexible pay systems which facilitate either functional or numerical flexibility.

## Multi-skilling

Multi-skilling takes place when workers acquire through experience and training a range of different skills which they can apply when carrying out different tasks (multi-tasking). This means that they can be used flexibly transferring from one task to another as the occasion demands.

A multi-skilling strategy will mean providing people with a variety of experience, through, for example, job rotation and secondments, and making arrangements for them to acquire new skills through training. It typically includes setting up flexible work teams, the members of which can be deployed on all or many of the team’s tasks. A flexible employee resourcing policy can then be established which enables the organization to redeploy people rapidly to meet new demands. This implies abandoning the traditional job description which prescribes the tasks to be carried out and replacing it with a role profile which specifies the range of knowledge and skills the role holder needs.

## The flexible firm

Flexibility can be enhanced by developing what has come to be known as the flexible firm: one in which there is structural and operational flexibility. The concept was originated by Doeringer and Priore (1971) but was popularized by Atkinson (1984). The latter suggested that in a flexible firm the labour force is divided into increasingly peripheral, and therefore numerically flexible, groups of workers clustered around a numerically stable core group which will conduct the organization's key, firm-specific activities. This is often called the 'core-periphery' view of the firm.

At the core, the focus is on functional flexibility. However, at the periphery, numerical flexibility becomes more important. As the market grows, the periphery expands to take up slack; as growth slows, the periphery contracts. In the core, only tasks and responsibilities change; the workers here are insulated from medium-term fluctuations in the market and can therefore enjoy a measure of job security, which does not apply to those in the periphery.

### *Creating the flexible firm*

The first step is to identify the 'core' of permanent employees who are essential to the conduct of the organization's business. The core may include managers, team leaders, professional staff, knowledge workers and technicians and other workers with relevant key skills. Employees in this core group need to be flexible and adaptable. It may mainly consist of full-time workers but core workers could be part-time.

Having identified the core group, the next step is to make the peripheral arrangements. These can include the use of temporary workers and subcontracting work to other firms. The numbers of temporary staff can be increased or reduced to match fluctuations in the level of business activity or to cover peaks.

Outsourcing of activities such as recruitment, training and payroll administration can increase operational flexibility by allowing organizations easily to adjust the amount of work outsourced as situations change.

### *Critical evaluation of the flexible firm concept*

The concept of the flexible firm has created a lot of interest but concerns about it have been raised by Marchington and Wilkinson (1996). First, it tends to fuse together description, prediction and prescription into a self-fulfilling prophesy. Second, the evidence of a significant increase in 'flexible firms' and flexibility within firms is lacking. Third, it is not a recent phenomenon – the proportion of people working part-time has grown for decades. And fourth, there are doubts about the costs and benefits of flexibility – subcontracted workers can be expensive and part-time workers may have higher levels of absenteeism and lack commitment.

## Job sharing

This is an arrangement whereby two employees share the work of one full-time position, dividing pay and benefits between them according to the time each works. Job sharing can involve splitting days or weeks or, less frequently, working alternate weeks. The advantages of job sharing include reduced employee turnover and absenteeism because it suits the needs of individuals. Greater continuity results because if one half of the job-sharing team is ill or leaves, the sharer will continue working for at least half the time. Job sharing also means that a wider employment pool can be tapped for those who cannot work full-time but want permanent employment. The disadvantages are the administrative costs involved and the risk of responsibility being divided.

## Homeworking

Home-based employees can carry out such roles as consultants, analysts or designers, programmers, or undertake various kinds of administrative work. The advantages are flexibility to respond rapidly to fluctuations in demand, reduced overheads and lower employment costs if the homeworkers are self-employed. However, care has to be taken to ensure that they are regarded as self-employed for income tax and national insurance purposes.

## Teleworking

Teleworkers are people working at home with a terminal which is linked to the main company or networked with other outworkers. Its aim is to achieve greater flexibility, rapid access to skills and the retention of skilled employees who would otherwise be lost to the company. Teleworkers can be used in a number of functions such as marketing, finance and management services. The arrangement does, however, depend for its success on the involvement and education of all employees (full-time and teleworkers), the careful selection and training of teleworkers, allocating adequate resources to them and monitoring the operation of the system.

## Flexible hours arrangements

Flexible hours arrangements can be included in the flexibility plan in one or more of the following ways:

- Flexible daily hours – these may follow an agreed pattern day by day according to typical or expected work loads (eg flexitime systems).

- Flexible weekly hours – providing for longer weekly hours to be worked at certain peak periods during the year.
- Flexible daily and weekly hours – varying daily or weekly hours or a combination of both to match the input of hours to achieve the required output. Such working times, unlike daily or weekly arrangements, may fluctuate between a minimum and a maximum.
- Compressed working weeks in which employees work fewer than the five standard days.
- Annual hours – scheduling employee hours on the basis of the number of hours to be worked, with provisions for the increase or reduction of hours in any given period, according to the demand for goods or services.

## Overtime and shift arrangements

A flexibility plan can contain proposals to reduce overtime costs by the use of flexible hours, new shift arrangements (eg twilight shifts), time off in lieu and overtime limitation agreements. The reduction of overtime is often catered for in formal deals which include a quid pro quo in the form of increased pay for the elimination of overtime payments and the introduction of flexible work patterns.

## Developing a flexibility strategy

A flexibility strategy incorporates plans for increased flexibility in the use of human resources to enable the organization to make the best use of people and adapt swiftly to changing circumstances. Developing the strategy involves:

- producing workforce plans which set out present and future people requirements;
- examining the extent to which work can be outsourced, subcontracted or carried out by part-time employees;
- considering what needs to be done to develop multi-skilling;
- reviewing all working hours arrangements to establish the scope for revising shift or overtime patterns or introducing annual hours contracts;
- identifying the scope for home or teleworking.

## The role of HR and L&D

The HR and L&D functions can make a significant contribution to the development of flexible working. They can take the lead in formulating and implementing a flexibility strategy. They will be closely involved in workforce

planning, outsourcing work, recruiting part-time employees, advising on the working conditions of employees of subcontractors working on the premises, developing flexible working hours arrangements, advising on the terms and conditions of employment for tele- and homeworkers and providing the training required to enhance multi-skilling.

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## KEY LEARNING POINTS

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### Flexible working defined

Flexible working is any pattern of working practice or working hours which deviates from the standard or normal arrangement. The aim is to provide for greater operational flexibility, improve the utilization of employees' skills and capacities, increase productivity and reduce employment costs.

### Forms of flexible working

This means considering possible forms of operational flexibility and the scope for more flexible working based on multi-skilling, developing a 'flexible firm' by identifying and employing core and peripheral employees, including the use of subcontracting and outsourcing, and introducing more flexible working arrangements including job sharing, homeworking and teleworking, flexible hours, and overtime and shift working.

### The four types of operational flexibility

These are: functional flexibility, structural flexibility, numerical flexibility and financial flexibility.

### Multi-skilling

Multi-skilling takes place when workers acquire through experience and training a range of different skills which they can apply when carrying out different tasks.

### The flexible firm (core and periphery workers)

Flexibility can be enhanced by developing a flexible firm in which there is structural and operational flexibility and which consists of peripheral, and therefore numerically flexible, groups of workers clustered around a numerically stable core group.

### Job sharing

This involves two employees sharing the work of one full-time position, dividing pay and benefits between them according to the time each works.

### Teleworking

This involves people working at home with a terminal which is linked to the main company or networked with other outworkers.

## Flexible hours arrangements

Flexible hours arrangements can be included in the flexibility plan in one or more of the following ways:

- flexible daily hours;
- flexible weekly hours;
- compressed working week;
- annual hours.

## Flexibility strategy

A flexibility strategy incorporates plans for increased flexibility in the use of human resources to enable the organization to make the best use of people and adapt swiftly to changing circumstances.

## References

- Atkinson, J (1984) Manpower strategies for flexible organizations, *Personnel Management*, August, pp 28–31
- Doeringer, P and Priore, M (1971) *Internal Labour Markets and Labour Market Analysis*, Lexington DC, Heath
- Marchington, M and Wilkinson, A (1996) *Core Personnel and Development*, London, IPD

## Questions

- 1 What is flexible working?
- 2 What are the forms of operational flexibility?
- 3 What is multi-skilling?
- 4 What is the concept of the flexible firm?
- 5 What are the key features of a flexibility strategy?