Constraints and characteristics of flexible work arrangements in small not-for-profit firms.

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There is a great deal of research that examines flexible working arrangements, but this work tends to be concentrated in large organisations. This research examines the approach taken to flexible working arrangements in five small community based, not for profit organisations. We present three propositions that aim to understand the constraints and the characteristics of flexible work in this rarely studied sector.

Introduction

While a large and ever-expanding body of research spanning HRM and other disciplines has examined flexible work arrangements in organisational settings, research has also been disproportionately undertaken in larger organisations, with samples of white collar, knowledge workers predominating (Chang, McDonald, & Burton 2010). When we narrow our focus to not-for-profit firms, our understanding of what occurs is quite negligible (Ridder et al., 2012). This is despite that the SME literature demonstrates that small businesses operate in ways that are distinct from large organisations. This study reviews the relevant literature and presents three propositions for investigation. These propositions illustrate potential links between the distinctive characteristics of these organisations (size, financial constraints, workforce characteristics) and the dynamics of providing and accessing flexible work arrangements in these settings (informality, constrained opportunities, high demand).

HRM functions in small and medium not-for-profit organisations

Informality

It has long been established that SMEs face a higher level of informality\(^1\) within their systems of HRM (Wilkinson 1999; Ram et al 2001). While Bacon and Hoque (2005, 1978) suggest that informality is ‘widespread but not universal’, small NFPs are not likely to have established HR specialists or have well-developed HR systems (Kersley et al. 2006) – both factors that lead to more formal systems of HRM. A further body of literature suggesting primarily informal HRM practices in small NFPs investigates the

\(^1\) Formality is measured by the presence of written procedures, rules and policies to regulate the employment relationship; informality is defined as an absence of written procedures with custom and practice dominating decisions (Storey, Sardakis, Sun-Gupta, Edwards, and Blackburn 2010).
devolution of HR responsibilities to line managers. Conducted mainly in large firms, such research suggests that informal and personalised approaches to HRM aim to create a climate of management–employee relations based on commitment, employee well-being, quality, flexibility and profitability (Storey 1992; Guest and Conway 2004). The role of line managers in securing the commitment of employees is as significant a focus for concern in the voluntary sector as in the public and private sectors, as managers represent the focus of distributed and interactive leadership required by voluntary organisations delivering public services (Cunningham 2013). In small firms, however, there are generally fewer line managers and the balance between informal and formal management becomes an important area to investigate. Hence, our first proposition relates to the level of informality in small NFP organisations:

*Proposition 1.* Small not-for-profit organisations follow informal HR functions and hence predominantly informal negotiations of flexible work arrangements.

**Workforce characteristics**

A second distinctive attribute of NFPs, compared to organisations in the private and public sectors, is that employees are often recruited based on shared values, where they work collectively towards the organisation’s mission (Handy and Katz 1998). In such an environment, where social expectations and constraints from employees and also stakeholders affect the strategies of NFPs (Barman 2002; Frumpkin and Andre-Clark 1999), people management practices are of high importance. HR specialists in the sector need to introduce policies and practices that fit with the specific values and mission of voluntary organisations but also coordinate these with organisational responses to diverse, contradictory and increasingly changing external funding and regulatory constraints (Ridder and McCandless 2008). It has been argued that the distinctive culture of the NFP sector dictates the form and nature of management control systems and that employees have a clear expectation that it will be their shared values that guide practice (Tucker and Parker 2013). While these employee orientations are thought to be fairly resilient they are also vulnerable if externally-driven bureaucratic, auditing and financial requirements interfere with the organisation’s mission in a way that makes frontline staff feel that they cannot ‘make a difference’, or where the values of the funder overwhelm that of the agency, leading to ‘mission drift’ (a diversion of energy, time and money away...
from the values of the organisation) (Thompson and Bunderson 2003). Enhancing access to flexible scheduling is also thought to offer organisations competitive advantage by: enhancing perceptions of anticipated organisational support (Casper and Buffardi 2004); increasing work effort and positive job-related attitudes (Beauregard and Henry 2009); and reducing turnover intentions (Halpern 2005). Hence, both employees and employers in the NFP sector may be particularly likely to embrace flexible work arrangements as an HRM strategy, leading to our second proposition:

**Proposition 2.** The workforce characteristics of the not-for-profit sector leads to a high-demand environment where employees seek and expect to access flexible work arrangements.

**Financial constraints**

HRM within NFPs is often based around managing within financial constraints, and the sector is known as one where ‘limited resources go further and work harder’ than in other firms (Kingston and Bolton 2004, p. 117). It has been well documented that the NFP sector in Australia, as elsewhere, faces significant fiscal pressures with respect to raising capital, attracting government funding and generating fundraising income (Foster and Bradach 2005; Lyons, North-Samardzic and Young 2007). The advent of fiscal pressures including cyclical economic uncertainties, a shift favouring the privatisation of public services, and efforts to reduce government activities have combined in the past to exert significant pressures on organisations in the NFP sector (Bush 1992). The loss of government funding in particular is expected to be the greatest inhibitor to the success of the NFP sector in the future (Deloitte 2012). For example, a study of NFP sectors in Australia, Scotland, New Zealand and Canada noted recently that although there has been an overall growth in the non-profit sector government contracts rarely cover infrastructure costs, and competition has driven wages and benefits down (Baines, Charlesworth, and Cunningham 2014).

Managers in the NFP sector must grapple with these significant pressures around resource constraints and heavy reliance on government subsidies (Akingbola 2012; Ridder, Piening, and Baluch 2012), whilst at the same time preventing mission drift and retaining service quality through the engagement, training and retention of dedicated employees (Paulsen 2003). Paulsen (2003) notes that NFPs function with different performance management and incentives than profit-based organisations. Although NFPs may use
workplace flexibility as a recruiting tool and are often committed to flexibility for staff, focusing on outputs and outcomes rather than processes (Kenny 2008), it is also possible that in times of significant fiscal pressure especially, flexibility may be used as a budgetary control measure. Indeed, because the sector does not have the organisational slack that is referred to elsewhere (Adkins 2005) performance may well be more critical to survival. Taking account of employee needs, including with respect to providing flexible work arrangements in this environment, presents a significant HRM challenge. Given these various pressures we offer the following proposition:

**Proposition 3.** Financial constraints in not-for-profit organisations lead to tighter management of operational requirements and hence limits on approvals for requests for flexible work arrangements from employees.

### Methods

Often referred to as the ‘third sector’, NFP organisations hold a significant place within the broader Australian economy. There are over 700,000 organisations operating in the sector which turns over more than 30 billion dollars per annum, employs 10% of the population and represents 4.9% of Australia’s gross domestic product (Australian Bureau of Statistics [ABS] 2008). The sector delivers services in areas spanning education, community/welfare, health, environment, recreation, the arts and emergency services (ABS 2008). The functions and share of the economy held by NFPs in Australia are similar to other industrialised economies (Lieter 2008).

The research team approached five small community sector organisations, each operated under significant budgetary pressures and relatively short and uncertain funding cycles, distinguishing them from larger and for-profit organisations. We interviewed the director in each organisation and as many employees as possible over a six-month period. This usually involved several visits to the organisation since many staff worked part-time and were not available on all days, and because staff were often engaged in the field providing services to their targeted community. In total, 39 semi-structured interviews averaging 45 minutes were completed across the five organisational sites. This number is consistent with Creswell’s (2007) views
on sample size in this style of qualitative research. Interviews were audio-recorded and transcribed verbatim.

As Table 1 indicates, around two-thirds of employees who worked in the organisations were interviewed.

Results

Small work environments and informally negotiated flexible work arrangements

Based on existing literature, we anticipated that the size of the organisation would be the most influential factor in determining the way HR is managed. However, we also expected that governance arrangements required for NFP organisations to operate, especially a reliance on state funding, would also be influential.

Our interview data suggest that there is a strong level of informality that is built upon a base of formality and regulation. One employee explained the role of workplace-level statutory agreements that are built upon federal minimum pay and conditions dictated in ‘Awards’:

We’ve got a very good enterprise bargaining agreement … we have 7 weeks leave and 3 paid days between Christmas and New Years. We have above Award conditions and compassionate and bereavement leave [and long service leave]. (NFP-A)

Each of the organisations investigated are obliged to follow national standards and are regulated by various state and federal Acts. Embedded within these Acts are provisions that allow parental leave, the ‘right to request’ altered patterns of work, protections for part-time workers and similar arrangements. At an organisational level the enterprise bargaining agreements are legally binding, but they are supplemented with many formal organisational policies that allow scope for flexible work arrangements negotiated for employees’ individual requirements. However, many employees did not know what formal provisions and policies were available in their workplace. For example:

…I didn’t even look at them [the policies]… it wasn’t even a consideration. I wouldn’t even know what they were. (NFP-C)

However, as highlighted in our review earlier, many NFP organisations operate under significant resource constraints which mean that statutory obligations and organisational policies may be more difficult
Success of flexible work arrangements tends to rely on the capacity and willingness of employees and managers to operationalise them on an informal and, indeed, flexible basis:

[Our requests for flexible work are always granted] You could work from 7 in the morning till 8 at night theoretically if you wanted to as long as you got those 30 hours done in the week you can work them whichever way you like. (NFP-C)

The findings showed a consistently informal approach to flexible work that is built on a platform of legislative protections and organisational policies. This is a predictable finding when we consider that these are small workplaces, and hence likely to adopt informality as an operating approach, but they are also reliant on significant levels of government funding, consequently requiring formality to satisfy associated requirements. However, when we dig deeply into our data the level of informality, while important, operated at a surface level. The reality was that flexible work arrangements were indeed decided informally, but in a nuanced fashion. Quite often employees communicated within their small organisational teams to determine a level of mutual control and influence over patterns of flexible work before requests were made to managers. Additionally, on many occasions there were examples of employees who self-assessed whether their preferences were likely to be granted. Often these employees self-monitored by not progressing their request if they felt that a particular preference on their part would have a negative impact on their colleagues, clients or the organisation.

Further analysis showed that some roles were privileged when requesting flexible work. One might intuitively expect that people with specialist skills might be granted greater access to flexible work arrangements that suited their needs as a social reward for their skills. However, again indicating the complexity of managing under resource constraints, the opposite appears to be the case. Some specialist roles required a more formal approach to flexible arrangements as the workload of these highly-skilled employees was not easily replaced on short notice in such a small organisation:

I generally have a look myself [at the leave roster] to see if I would be likely to be granted the leave. Then I fill in the form … If I need to take a longer period of time I would need to plan that well in advance and make sure someone probably from an agency or something would … be able to cover those particular functions. (NFP-E)
So while each of the organisations took a very informal approach to negotiating short- and medium-term flexible leave arrangements, including the statutory protected personal or sick leave entitlements, there was also a pattern of formality recognised. It seems that the longer the leave, the more formalised the patterns of request and authorisation became.

The resource constraints in these small organisations were operating with very little slack, leaving pressure for short-term leave and flexible arrangements, but significant difficulties in managing longer leave periods. Hence, when employees sought longer-term arrangements, self- or team-checking was undertaken, followed by a much more formalised process of application. Employees explained that there was often ‘a fair bit of negotiating around those things’ (NFP-C):

There’s a procedure. There’s a form which goes to your supervisor … You need to look in the Outlook Calendar. [The manager] then looks at the calendar to make sure there will be enough people here for that person to take leave at that time and then it’s obviously approved. (NFP-A)

While there were certainly variations around the details within these case study organisations the primary pattern was one of uniformity. Each organisation had a platform of statutory regulations providing employees with the right to request flexibility in their working arrangements upon which organisation-specific enterprise agreements are built. However, within that context, the findings contrast somewhat with the literature that describes the informality of HR in small workplaces. As suggested in proposition 1, at one level there is a great deal of informality, with employees arranging short-term flexibility primarily through their line managers. This sample of organisations though differ from the small workplace theoretical models because they are reliant upon state sponsorship and, accordingly, have more stringent governance and reporting requirements. This means in practice that the informality is somewhat restricted to short-term arrangements while longer-term arrangements follow a more formalised approach to their request, application and determination. Hence, our data overall support our first proposition that small not-for-profit organisations follow informal HR functions and hence predominantly informal negotiations of flexible work arrangements, with a caveat of statutory influenced formality.
**Workforce characteristics**

Again, building on the body of work on small firms, this sample of organisations is different. Research has established that employees in these firms often have a philosophical motivation for working in this sector (Baines et al., 2012; Nickson et al., 2008). Our data suggest that the employees in this sector are highly motivated, loyal and committed to their organisation and its cause – factors that are strengthened by the availability of flexible work arrangements. As employees from our organisations state:

> So that real family friendly environment so that makes you more loyal as a worker … You want to work hard and please them [colleagues and managers] (NFP-A)

> All of us who work here [have particular needs, studying, health limitations etc] … the thing that draws us to this work more than anything is the flexible culture of this organisation. That all our needs are accommodated, that might be unusual in other organisations, but I’d say that’s more than normal in our workplace. (NFP-E)

Employees also identify trade-offs they make for their work, including additional travel time:

> I was more inclined to stay in the job for a year – because the job was so far away, but because I’ve been given the flexibility, it means that I stay. I’ve been able to stay in a job that I really want to do because this type of role ticks all my boxes of what I’m looking for in a job … if I wasn’t given that flexibility I would be … resentful of every time I had to be in the office. (NFP-D)

Staff understood that access to flexible work arrangements was part of a trade-off for lower wages, and thus when access was closed down many felt that the psychological contract had been breached:

> … the pay scale is not the same as a normal organisation … there has got to be a reason why you are working here, because you could probably be doing the same set of skills in private enterprise. I am not saying the working conditions would be the same, but your pay would probably be higher, so … you need to tailor it to people who are about family and stuff, so making it as flexible as you can. (NFP-D)

Consistent with previously mentioned studies, our findings here suggest that the workforce characteristics of the NFP sector lead to an environment where flexible work arrangements are in high
demand. Employees recognise the trade-offs that they make to work in this sector and expect flexibility (among other things) in return. Hence, proposition 2 is supported.

**Financial constraints**

Data were collected for this research throughout 2012 and at that time Australia had largely avoided the substantial austerity measures that were implemented in many European countries. Nevertheless, most of the study organisations faced state government funding cuts. One, for example, faced a reduction in funding of more than 80%: ‘It used to be about $1.1 million. Then we lost about $800,000 …’ (NFPzE).

One of the employees in this workplace explained:

> Flexibility of working time is difficult because we have had funding cuts. We’ve had to restructure in terms of staffing and when our phones are on. So in theory we can have flex time, but in practice we can’t. To be honest we’re so grateful, unlike many people, we still have 3 days a week. (NFPzE)

While this was an extreme case the impact of these cuts meant a reduction in the managers’ capacities to offer flexible work arrangements to the same extent that they had previously. These sentiments are reinforced throughout our sample regardless of the level of cuts faced by the organisations: ‘Flexibility has changed since our new structure [a reduction in staff numbers]. You really have to work with other people and it can’t just be granted’ (NFP-A).

Another organisation was forced to reduce staff as a result of austerity measures and, again, this impacted upon managerial approaches, which had a flow-on impact for employees’ workloads and flexibility arrangements:

> We used to have much more flexibility. We could use our flexi-hours much more … our flexi-hours are not very flexible any more. (NFP-A)

These pressures were felt by employees and managers in relation to both short-term flexible arrangements but also when employees requested longer-term arrangements. As one manager explained, it becomes less about the request and more about the budget: ‘… how does that all fit in the budget? Do we have the funds to do that, the capacity to afford it? There is always a demand [for our service] … it’s purely
Another employee explained: ‘I would like full-time work, but I know it’s not possible … because of the budget’ (NFP-D).

Smaller not-for-profit organisations typically have less organisational capacity to deal with flexible work arrangements. When governments and other funding bodies reduce the resources available to NFP organisations there is not only an impact on service provision but also on access to flexibility. Our data support proposition 3, suggesting that where fiscal constraints are severe, fewer approvals for flexible work arrangements result from tighter management approaches.

Discussion and conclusion

This article set out to investigate an important but under-researched area of organisational studies – how flexible work arrangements in small NFPs are provided for and utilised in these particular workplace contexts. A focus on NFP organisations in the community sector offered an opportunity to reveal important insights into the way work is tailored in small, informally structured and resource-constrained workplaces where little previous research has focused. The article was additionally interested in determining what impact austerity measures might have had, the dynamics surrounding flexible work arrangements and the subsequent effects on employee experiences and organisational outcomes. We have found, through examining three propositions, subtle differences between the five cases but also a great deal of consistency.

Our first proposition related to the notion that small NFPs would follow information HR approaches and hence have informal negotiations of flexible work arrangements similar to that of typical small firms. Existing research suggests that the levels of informality within HRM systems are common in small firms (Wilkinson 1999; Ram et al, 2001). Furthermore, it is unusual for small NFPs to have established HR specialists or well-developed HR systems (Kersley et al. 2006). However, the highly regulated employment system in the Australian context in which these NFPs operated, means that the informal/formal divide in small firms is much more complicated. Reliant upon government funding and with a correspondingly high level of reporting requirements, the findings suggest that the informality associated with utilising flexible work arrangements comes built on a system based on formality. Hence, our data supports the first proposition, which was that small not-for-profit organisations follow informal HR functions and hence
predominantly informal negotiations of flexible work arrangements, with the caveat related to the highly formalised industrial relations system within the national context.

Our second proposition allowed us to examine the particular characteristics of this workforce that might influence the manner in which employees sought and expected flexible work arrangements. Many employees work within this sector as a means to meet their ‘charitable impulses’ (Dees and Anderson 2003) and are often recruited based on shared values and a willingness to work collectively towards the organisation’s mission (Handy and Katz 1998). However, previous studies have also found that the strong commitment of employees in non-profit sectors can be undermined, leading to disillusionment, burnout and quitting (Baines 2004; Brown and Yoshioka 2003; Saunders 2004). Within NFPs, HRM approaches require managing with limited resources (Kingston and Bolton 2004) and offering high levels of flexible work arrangements is likely to be one way of balancing competing interests between operational requirements and non-working life aspects of the personnel in the sector. Our data certainly support this previous research in the sense that many employees held strong altruistic notions of their contributions within the organisation, but also a high level of motivation to use flexible work arrangements.

Our analysis also pointed to the significant sacrifices made by workers in the NFP organisations studied. These included working unpaid over-time, not taking accrued recreation leave and refraining from seeking flexible work arrangements motivated by a cognisance that their organisation could not resource it. While underlying expectations from employees placed a great deal of pressure on managers to maintain employee access to flexible work, employees were willing to manage trade-offs to ensure ongoing access to flexible work for themselves, and that of their colleagues. Therefore, the data partially supports the second proposition, which is that the workforce characteristics of the not-for-profit sector leads to a high-demand environment where employees seek and expect to access flexible work arrangements.

Our final proposition considered the impact that financial constraints might have on managing flexible work requests. While Australia has escaped the worst of impacts from the 2008 international financial crisis this sector faces significant fiscal pressures nonetheless. Internationally, austerity measures have resulted in cutbacks (Cunningham 2013), retrenchments and downsizing (Overmans and Noordegraaf 2014), and at the time of this research, government contracts rarely cover infrastructure costs (Baines et al. 2014). Hence, we anticipated and found significant pressures on the management of flexible work in these
organisations due to financial pressures. While the reduction in access to flexible work was not directly a result of funding, reduced funding meant that the organisations had in many cases downsized their workforces, consequently limiting the capacity of managers to allow flexible work arrangements while continuing to meet service delivery requirements. So, indirectly, our third proposition is supported, which is that financial constraints in NFP leads to tighter management of operational requirements and hence fewer approvals for requests for flexible work arrangements from employees.

The challenge for NFP organisations, whether they are small or large, is to create workplace environments that sustain the dimensions of employee commitment in the context of national regulatory regimes, underlying forces driven by outsourcing, new public management practices and austerity measures. As Cavanagh et al, (2013) suggest, these organisations are vital to the welfare of many communities and our sample of five organisations provide such vital services. Ridder, Peining et al, (2012) argue that HRM practices affect the management of scarce resources and the levels of participation in the workplace, and our data support that notion. Employees are actively engaging in making sure that the scarce resources, including their time, is managed effectively.

Central to this notion of effective management is the use of flexible working arrangements. As these organisations all rely on some level of state funding, the must adhere to detailed reporting processes that require strong governance structures to be in place. One consequence of this is that more long-term flexible arrangements for employees need to be formalised but short-term and immediate arrangements followed the model we would expect from small firms – one of informal negotiations between managers and employees. Furthermore, where a reduction in funding had occurred managers within these organisations were less able to provide employees with the same levels of flexibility that were available a few years prior. Despite these resource constraints and various other pressures the availability of flexible work arrangements made these NFPs an attractive place for employees to work. NFP organisations are numerous and diverse and we caution against premature generalisations across the field. Rather, there is the need for a great deal more research in the area in order to understand the manner in which human resources are managed in this style of firm, along with similarities and differences based on size, funding sources, and the particular NFP sector in which they are operating.
References


Table 1. Number of total and FTE employees in each organisation and number of interviewees.

<table>
<thead>
<tr>
<th>Organisation defined by type of service provided</th>
<th>Total employees</th>
<th>FTE employees</th>
<th>Employees interviewed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NFP-A</strong> Health services for women</td>
<td>10</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td><strong>NFP-B</strong> Support for young parents</td>
<td>12</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td><strong>NFP-C</strong> Services assisting women who have experienced sexual assault and violence</td>
<td>10</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td><strong>NFP-D</strong> Informal development opportunities for children and their carers</td>
<td>17</td>
<td>15</td>
<td>12</td>
</tr>
<tr>
<td><strong>NFP-E</strong> Industrial relations advice and advocacy</td>
<td>7</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>56</strong></td>
<td><strong>36</strong></td>
<td><strong>39</strong></td>
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