Workplace Flexibility Policies and Wage Growth: Do Organizational Characteristics Matter?

Academics and policy makers alike recognize the desirability of more flexible workplaces for American workers who are increasingly squeezed for time to attend to family and personal needs (Gornick and Meyers, 2004; Heymann, 2000). Surveys of employers show an increase in the number of flexible workplaces in the United States (Beers 2000). To understand the full impact of this transformation on wage inequality, information on the wage consequences of flexible work practices is needed. Many scholars fear that employees using flexible work arrangements will pay a steep price in foregone earnings and promotions as employers differentiate between traditional workers and those using flexible work options (Epstein et al. 1999; Williams, 2001). This research addresses whether such penalties exist, explores theoretical reasons why they exist, and whether they differ depending on characteristics of the worker (gender, parental status) and characteristics of the job (occupational sector, firm size, and occupational characteristics).

The business press and academic literature are full of qualitative accounts of workers who are afraid to use available flexibility policies because they believe their work careers would suffer as a result (Crittenden, 2001; Hochschild, 1997; Williams, 2001). Unfortunately, this mostly anecdotal literature has not been the subject of rigorous empirical inquiry. Prior work targeting mothers' experiences with workplace flexibility (as the group with the strongest interest in flexibility and greater utilization of policies where present) showed large negative effects of reduced work hours and telecommuting on managerial and professional mothers' wage growth over time (Glass, 2004). But focusing on mothers alone leaves several important questions unanswered about the *processes* leading to wage stagnation among workers using flexible work arrangements.

Theoretically and empirically, it is important to disentangle the motivation for using workplace flexibility policies from the actual use of such policies. In particular, the stigma often placed on workers who openly display their family care responsibilities (by being pregnant in the workplace, bringing a child to a meeting, or leaving early for a school event, as examples) may create negative wage effects that

appear to be the result of using flexibility policies. Perhaps mothers who used flexibility policies were making their caregiving obligations visible and salient relative to mothers who more carefully hid their domestic responsibilities from employers and coworkers. If, however, childfree workers' use of flexibility policies also creates negative effects on their subsequent wage growth, scholars can be assured that it is the workplace practice rather than family status of the worker that is producing the compensation penalty.

Secondly, it is important to disentangle the organizational contexts in which flexible work practices are penalized or ignored in judging worker productivity. Not all jobs are equally difficult to modify to accommodate worker preferences for flexibility. While research shows that flexible work options are most available to managerial and professional workers, for example, they are also likely to be more heavily penalized in managerial and professional work where constant availability and schemas of work devotion predominate. Theory suggests that the penalties for flexible work should be stronger in larger and more bureaucratically controlled work environments, in jobs where workers are asked to synchronize their work with others (e.g. teams), where work is organized around customer or client availability, and where workers are responsible for supervising the work of others. For example, law firms frequently sideline part-time workers for partnership or pay increases because they are felt to be unable to meet the demands of large clients and complicated cases.

METHODS

In this analysis I use the National Longitudinal Survey of Youth (hereafter NLSY) begun in 1979 among a representative sample of over 12,686 youth then aged 14-21. The NLSY-79 is a national probability sample of young women and men living in the United States and born between 1957 and 1964. The sample was interviewed annually from 1979-1994 and biennially thereafter through 2002. By the 2002 survey wave, the total sample size was 7,724 with a retention rate across all years of approximately 77.5%. The data contain an oversampling of Hispanic, African-American, and economically disadvantaged youth, so sample weights to adjust the analyses to a representative sample are used here. The NLSY is the ideal data set for this research because it contains data on flexible work

practices and contains substantial variation in marital and parental status, ethnicity, educational level, and occupational status, enabling tests of worker characteristics on the size and direction of any flexibility-wage effect.

Beginning in the 1989 wave of the NLSY, the work history data included questions on respondents' hours worked at home per week at their current job, usual number of hours worked per week, and whether a flexible work schedule was available, as well as firm size, occupation, and industry. Since these questions on flexible work practices are our key independent variables, our analytic sample is restricted to survey years 1989-2002. This time period covers the years when respondents were in their thirties and early forties, which tends to be peak earnings growth years for those continuously in the labor force. To these records, I appended occupational characteristics for each respondent's three digit Census occupation code for their main job in each survey year. These occupational characteristics came from the O*NET or occupational network classification system used by the federal government, which replaced the old Dictionary of Occupational Titles in 2004. The O*NET contained information on the importance of customer or client contact, the degree of supervisory responsibility, and the importance of coordinating work tasks with others in each job classification.

My analytical sample includes respondents working for pay 20 hours per week or more during at least two survey years[1]. In addition, self-employed workers were excluded, since they presumably control both their work practices and pay. Finally, I excluded respondents missing data on our key variables. The final sample size is 55,371 person-years; 8,760 respondents (4,186 women and 4,574 men) contribute an average of 6.3 person-years of data (min = 2 and max = 10).

The primary dependent variable is the log of hourly wage in the respondent's primary job. This variable is constructed by NLSY staff using direct questions for respondents paid by the hour and approximated for those not paid by the hour, using information on monthly/annual pay, hours and weeks worked per month/year, and the presence of overtime pay or bonuses in compensation. Hourly wages

[1] The estimation technique used here entails wage differencing to control for unobserved, individual-specific fixed effects and thus requires at least two observations on each individual.

were logged to adjust for the right skew in the distribution of wages. Thus, the models estimate the impact of flexible work practices on percentage growth in compensation per hour over time. The measures of flexible work practices are then interacted with personal and occupational characteristics to determine how each modifies the wage penalty for flexible work.

I use the longitudinal nature of the data to estimate fixed effect models of individual change over time in wages as a result of variation in individual use of flextime, flexplace, or reduced hours of work. The multivariate analysis assessed how use of each of the three types of flexible work practices affected wage increases over time for groups differing on gender, parental status, and occupational characteristics. Relevant demographic and personal characteristics (education, work experience and tenure at the current job, etc.) are included as controls in all models. Fixed characteristics (i.e. gender, ethnicity) are not included in the models as main effects because this modeling technique implicitly controls for any individual-level variables that do not change over time, but can be included as interactions with the substantive variables of interest (measures of flexible work). The fixed effects model took the form:

$$LnY_{it} = BX_{i_t} + BZ_{it} + u_i + e_{i_t},$$

where *i* indexes individuals, *t* indexes time (survey year), Y represents hourly wage, X represents the three measures of weeks of flexible work, Z represents a vector of weeks of personal, family, and workplace controls, u is a person-specific fixed-effect, and e is a random error term.

The model was initially estimated on the full sample, and then interactions between gender, parental status, and flexible work practice were added to the full sample to test the statistical significance of any differences in effects based on personal characteristics. This process was then repeated using interactions with occupational characteristics.