Do Flexible Working Time Arrangements Reduce Worker Turnover? Evidence from German Linked Employer-Employee Data

Duanyi Yang, MIT Sloan School of Management

Abstract

Contemporary organizations are increasingly implementing flexible working time arrangements (FWTA) that provide workers with more control over their working hours. Despite these changes, managers and policy makers lack adequate information about whether these arrangements reduce worker turnover and, if so, for which populations of workers. Analyzing nationally representative employer-employee matched data from Germany, I find that while adopting FWTA does not reduce overall employee turnover, it does reduce turnover among mothers with young children, young men, young women, and low-wage workers in organizations. These results suggest that providing flexible working time policies is not a panacea for retaining all workers, but such policies help retain workers that are most in need of them. The policies can play an important role in stabilizing the employment of lower-wage workers and helping young workers develop their human capital. Further, by addressing mothers’ needs at a critical period in their lives, flexible working time policies may reduce the gender pay gap by encouraging women to both remain in the labor force and continue building their careers in a given establishment.