

Flexible Work Arrangements: The Overview Memo Spring 2006

I. Introduction

Many employees today have ongoing, predictable demands on their time outside of work. These demands may include dependent children, an ill family member, a long commute, a desire for increased education, or a commitment to community or religious activities. To meet these demands, and to get a paying job done, such individuals often need to work at a different time or in a different place than the traditional "9 am to 5 pm, five days/week, face time at the workplace" rubric.

In response to employee and employer needs and preferences, some employers provide what we call "**Flexible Work Arrangements**" (FWAs). An FWA is an alteration of a work structure that alters the time and/or place that work gets done on a regular basis. An employee may arrange to have an FWA for only a select period of time or an employee may be hired with the understanding that an FWA will be on a permanent basis until it is changed by mutual consent.

FWAs differ from STO (Short Term Time Off) or EPTO (Episodic Time Off) – both of which refer to time off that does not occur on a *regular* basis. Often, an employee will seek an FWA when his or her needs are such that neither STO nor EPTO are adequately meeting those needs.

FWAs include (but are not limited to) arrangements that provide:

- flexibility in the *scheduling* of hours worked (e.g., non-traditional start and end times, compressed workweeks),
- flexibility in the *amount* of hours worked (e.g., reduced hours schedule, job shares, part-year work), and
- flexibility in the *place* of work (e.g., telework, work at home).

See FLEXIBLE WORK ARRANGEMENTS: A DEFINITION AND EXAMPLES for a detailed explanation of these categories and examples of FWAs within each category.¹

See also FLEXIBLE WORK ARRANGEMENTS: THE FACT SHEET for research data on various aspects of FWAs.

The following are a few salient points from the fact sheet:²

- In a nationally representative study, nearly 80% of workers indicated that they would like access to more forms of FWAs, and that they would use these flexible work options if no negative consequences at work would result. For example, 43% of workers who do not currently work any regularly scheduled hours at home said they would like to telecommute, and 20% of full-time workers said they would like to work part-time.

- While many workers desire more access to FWAs, a nationally representative survey reveals they also worry that they will be less likely to advance in their careers if they use FWAs (said 40% of respondents in one survey); that they will be perceived by their supervisors as being “less committed” to the job (said 78%); that their employers will not allow them to work part-time even if they ask (said 44%); that they cannot afford to work part-time (said 70%), or that they cannot afford to lose the benefits associated with full time work.
- Telecommuting is often the most recognized form of an FWA. But according to nationally representative data, only about 3% of the U.S. workforce telecommutes at least 3 days a week. Like many other FWAs, telecommuting is most common in managerial and professional occupations (nearly 45% of telecommuters work in this occupational category), and far less common in other occupations (e.g., natural resource, construction and maintenance occupations and production, transportation, and material moving occupations each employ about 6% of telecommuters). In addition, a recent survey of human resource managers indicates that companies are more likely to offer telecommuting only on a part-time, rather than full time, basis.³
- Employers often offer FWAs to *some* portion of their workforce, but less often to *all* or *most* of their workforce. While nearly 40% of employers in a national survey indicated that they allow some workers to work a compressed workweek for at least part of the year, this percentage dropped to 10% for employers who would allow all or most of their employees to do so.

II. How Employers Provide FWAs

The marketplace has developed, and is currently supporting, a range of FWA options to address workers’ ongoing needs for flexibility. Individual workers and their supervisors usually devise an FWA that meets an employer’s and an employee’s specific needs to do work on a different schedule or in a different place. Some of these arrangements are developed on an informal basis between a worker and a manager; others follow employer policies that define the parameters of, and procedures for, permissible FWAs; and still others are the result of collective bargaining agreement provisions that specify the availability and features of FWAs.

A. Informal Flexibility

A significant number of workers who have FWAs today have secured them on their own initiative and have been granted them at the discretion of their supervisors. Many of the flexible schedules, part time jobs and telecommuting arrangements that exist today are the result of individual workers asking for and receiving from their individual supervisors a modification of an employer’s standard work time/place arrangements.

The most informal of these arrangements may involve management simply “looking the other way” as workers come and go, but still manage to get the job done. More structured arrangements may include an oral or written agreement describing the worker’s schedule and/or location and job duties, and imposing accountability, time, or other limits to the arrangement (e.g., a part time schedule permitted for six months following the birth or adoption of a child). These arrangements are made on an individual basis, and are not based on any formal, written company policy.

While employers who allow this informal flexibility are addressing the needs of some of their workers, their failure to institutionalize access to FWAs may result in other workers with legitimate needs being denied such access. Such workers may be afraid of lay-offs or negative advancement impacts if they ask for an FWA, may not have as equally comfortable or close a relationship with their managers as other workers, or may simply find it difficult to raise the idea of an FWA. Likewise, the amount and nature of the FWAs provided may vary within organizations based purely on the personality or whims of individual supervisors, rather than on legitimate business concerns (such as job functions, costs, or administrative feasibility).

B. Formal FWA Policies

A number of employers – including the federal government -- have moved beyond informal arrangements and have institutionalized policies that provide access to FWAs for their workers.

1. THE RIGHT TO ASK

Some companies have instituted a formalized policy by which workers may ask for an FWA, generally including a reduced schedule, flexible scheduling and telecommuting arrangements.⁴ Management retains the discretion to say "no" to these requests, but the policy is designed to provide a level of categorical availability to employees – i.e., assuring that eligible workers can request FWAs -- and to allow the employer to respond to requests in a manner that addresses its business needs but generally achieves a mutually workable result.

In some companies, a worker may request an FWA regardless of the worker's position in the company and for any reason. Management retains the discretion to approve or deny the request – usually based solely on work-related needs and not based on the merits of the employee's reason for requesting flexibility. Denials of such requests are usually reviewed either by a company's Human Resources Department or through a company's standard employee appeal process.

Other features of these formal policies may include training for managers on flexibility policies and the provision of external supports (such as providing high speed modems to workers who telecommute).

2. THE TEAM-BASED OR "RESULTS-ONLY" APPROACH⁵

Other companies have implemented FWAs through organizing workers into "teams." A team may be part of a department or it may be workers assigned to a particular project. The teams use a definitive process for determining how work will get done. This process usually includes a pre-assessment of the team's and team members' strengths and weaknesses, and of the end products, timelines and other features of the work to be done. The team then meets frequently to brainstorm about ways to accomplish the work and to assess results on an ongoing basis.

Often, FWAs arise out of this process as a means to get the work done more efficiently and effectively. For example, a team may choose to allow non-essential work to be done at less critical hours or at a remote location in order to accommodate particular needs of team members for certain schedules, time off, or time to

work at home. Companies often find that when they allow team members to redesign their jobs to accommodate individual needs and schedules, the result is that backlogs, absenteeism, and overtime costs drop, while productivity, accuracy, teamwork, and customer satisfaction rise.⁶

A related method to implementing FWAs is the "results-only" approach, whereby workers are allowed to work "whenever they want, wherever they want, so long as the work gets done."⁷ This approach, pioneered at BestBuy corporate headquarters, replaces the concept of "face time" with that of "business results" and empowers employees to design their work in a way that best meets their personal needs and the needs of the customer. Proponents of the results-only approach argue that, under this approach, employees' lives are more balanced, leading to a return on investment in the form of improved employee productivity, improved morale, improved retention, better recruitment, reduced health care costs and reduced absenteeism.⁸

C. COLLECTIVE BARGAINING AGREEMENT PROVISIONS

Unions have played important roles in establishing FWA opportunities for their members. This is reflected in the broad array of collective bargaining agreements that include FWA provisions. Examples of such agreements include:⁹

- An agreement under which employees must be at work during "core hours" covering 60% of the normal work day, with each employee allowed to vary start and stop times within basic scheduling guidelines. (Communications Workers of America and BellSouth Telecommunications)
- An agreement whereby union employees may work 8, 10 or 12 hour days. (International Brotherhood of Teamsters Local 231 and Intalco Aluminum Corporation)
- An agreement under which two employees may share a job 50/50 or 60/40 subject to mutual consent and the needs of the employer; benefits are provided for only one full time position. (The Butte College Education Association, NEA, and the Butte Community College District)
- Agreements that provide either full or partial benefits (including such things as medical coverage and retirement benefits) for regular part-time employees. (International Brotherhood of Electrical Workers Local 1245 and Pacific Gas & Electric, and Union of Needletrades, Industrial and Textile Employees Local 14A and Xerox Corporation)
- An agreement allowing clerical staff to work from home with the employer paying for telephone lines and other equipment. (International Brotherhood of Electrical Workers Locals 827 and 1944 and Bell Systems)

III. Benefits & Challenges for Business

FLEXIBLE WORK ARRANGEMENTS: THE FACT SHEET sets forth the data we have on the impact of FWAs on business objectives. Generally, the data is positive. This is presumably not surprising since those companies that have chosen to offer FWAs (and to continue offering them) have decided it makes good business sense to do so.

Recently, Corporate Voices for Working Families did an in-depth study of the impact of flexibility practices on business needs and objectives.¹⁰ Because of the unique access Corporate Voices had to its member companies, the study is particularly rich in its findings. Overall, the 2005 Corporate Voices study, as well as a report drawn from Families & Work Institute data indicate that companies that offer FWAs show that FWAs improve retention and recruitment; foster greater employee satisfaction, commitment, and engagement; and are correlated to increased productivity and revenue generation, as well as positive impacts on cycle time and client service.¹¹

A few of the case studies from the Corporate Voices report demonstrate how FWAs helps businesses recruit and retain valuable workers:

- 80% of a large accounting firm's employees said that their ability to balance work and home needs had an impact on their career choices and their desire to stay with the company. (Accenture)
- Almost all (94%) of a company's corporate finance managers reported positive impacts of flexible work options on the company's "ability to retain talented professionals." (IBM)
- Another accounting firm found that by offering more flexible work arrangements, and thus retaining more female employees, it was able to increase the number of women in leadership positions from 14 in 1993 to 168 in 2003. (Deloitte)
- A pharmaceutical company found that of employees hired in the last three years, one in five agreed or strongly agreed that the company's flexible work options program influenced their decision to join the company. (Bristol-Meyers Squibb)¹²

Employees with access to FWAs tend to be more satisfied, committed, and engaged with their jobs.¹³ Studies have shown that this leads to increased innovation, quality, productivity, and market share.¹⁴ For example, in their Human Capital Index Study, Watson Wyatt confirmed that HR practices and policies are linked to a company's financial performance. In general, they have found that the better a firm is doing in managing its employees, the better its returns for shareholders. In the 2001 study, Watson Wyatt sought to quantify exactly which HR practices and policies impact the bottom line, and by how much. In this study, they found that a flexible work place is associated with a 9% increase in market value.¹⁵ Research by the Corporate Leadership Council concluded that every 10% improvement in commitment can increase an employee's level of discretionary effort by 6% and performance by 2%; highly committed employees perform at a more advanced level than non-committed employees.¹⁶

Providing FWAs and time off to take care of personal and family needs can also help limit unscheduled absences.¹⁷ Studies show that employees using FWAs report less work-life stress, and, as a result, have less unscheduled absences and increased productivity.¹⁸

Finally, studies show that FWAs can directly impact financial performance and operational and business out-

comes. For example:

- One large news and information company that implemented FWAs through a team approach in its facilities engineering and mail room departments found that work orders were closed at a faster rate, reducing backlogs by 70–80% while maintaining quality standards (e.g., the number of lost packages and customer complaints did not increase).¹⁹ (Gannett)
- A Fortune 500 insurance company that implemented various forms of FWAs through a team approach in its Claim Services Department found that it experienced an 18% increase in the number of claim files handled without a decrease in quality, a 7% increase in calls handled directly rather than sent to voicemail, a 4% increase in claims payment processed within 24 hours, a 7% increase in claims files closed, a 50% reduction in unscheduled paid time off, and a 40% reduction in overtime hours.²⁰ (Chubb)
- The operations center of a large financial services company dramatically reduced cycle time for processing payments, settlements, and inquiries, and increased customer service hours by implementing a compressed workweek pilot program.²¹ (PNC)
- A company with a large telework program currently saves \$20 million in operating costs annually and over 500,000 square feet of real estate.²² (IBM)
- A study on telecommuting found that for each percentage point increase in employees working from home, a company's profit rate increases by an additional six-tenths of one percent.²³

Of course, FWAs can present challenges for businesses as well.²⁴ Management may be more difficult when all employees are not present and working at the same time. For example, managers have voiced concerns that it is more difficult to schedule meetings, ensure office coverage, or cover peak work periods.²⁵ And some managers find it more difficult to confirm that employees actually are working when the employees are not visible to them – the so-called “face time dilemma.”

Similarly, FWAs can create administrative burdens for employers. For example, not every job is appropriate for an FWA, requiring some jobs to be redesigned to permit an FWA to operate effectively.²⁶ Some employers are wary of job redesigns or do not know how to implement them.

As an administrative matter, accommodating requests when many staff members want the same flexible schedule or the same days off is not always feasible. Employees may also become disgruntled when they do not receive their first choice of a flexible or reduced hours schedule. And other workers may resent colleagues who enjoy FWAs, or feel they must cover for, or are burdened with the additional work of, colleagues who are using FWAs. Finally, companies may suffer from a lack of dissemination of information regarding the availability (either formally or informally) of FWAs, as well as varying willingness among managers to support utilization of FWAs.²⁷

Finally, employers may be hindered by legal obligations when implementing FWAs. For example, an employer that wishes to institute a team approach to figuring out scheduling issues may have to pay attention to the 40-hour workweek established by the Fair Labor Standards Act for non-exempt employees and the prohibition on employee teams “dealing with” employers set forth in §8(a)(2) of the National Labor Relations Act.

IV. Conclusion

Here are some bottom-line points to take away from this memo and the accompanying fact sheet:

- Many employers are providing FWAs today, but many more are either not providing FWAs, or are providing a very limited range of FWAs, or are providing FWAs to a limited number of employees.
- Many employees who are working for employers who offer FWAs are choosing not to access those FWAs for a variety of reasons.
- Many FWAs today are arrived at through informal negotiations between employees and managers. Companies are slowly beginning to experiment with offering various forms of FWAs in a more formal manner. Public employers, including the federal government, tend to have more formal processes for providing FWAs.
- For FWAs to work, a job redesign or a team approach may be effective. But these approaches can pose challenges for management and may potentially raise legal issues.

ENDNOTES

- ¹ Some individuals may seek contingent work, such as independent contractual work, seasonal work, or temporary work, as a means of achieving flexibility. We do not consider such contingent work as an FWA. In addition, for all situations in which individuals work fewer than 35 hours/week, issues regarding the individuals' access to benefits (e.g., health insurance, pension plans and disability plans) may come into play.
- ² We have deleted all citation references in these points. Please refer to the Workplace Flexibility 2010 fact sheet on flexible work arrangements for additional data and citations.
- ³ Society for Human Resource Management (SHRM) (2005). *2005 Benefits survey report*. Virginia: Author, p. 5-6. (Cohort study; this is based on a survey of human resource representatives from 370 member organizations from both the public and private, for-profit and not-for-profit sectors).
- ⁴ The description of these policies comes from interviews that Workplace Flexibility 2010 staff undertook with various companies in summer 2005. Also, see, e.g., Corporate Voices for Working Families (2005, November). *Business impacts of flexibility: An imperative for expansion*. Washington, D.C.: Author [hereinafter, Corporate Voices], and Sheley, E. (1996, February). Flexible work options beyond 9 to 5. *HR Magazine* 41(2), 52-59.
- ⁵ conversations with researchers and management consultants in the field, such as Arlene Johnson from WFD, Bea Fitzpatrick and Harvey Thompson from BOLD, Phyllis Moen from the University of Minnesota and Cali Ressler from CultureRX and from interviews undertaken by Workplace Flexibility 2010 staff in summer 2005. For written material, see Maggie Jackson, "Team Based Flexible Work Programs are Pushing into the Mainstream," *Boston Globe*, November 6, 2005.
- ⁶ See Maggie Jackson, "Team Based Flexible Work Programs are Pushing into the Mainstream," *Boston Globe*, November 6, 2005.
- ⁷ Ressler, C., & Thompson, J. (2006, March). The results-oriented work environment: Changing the flexibility game. Presentation at the 10th Annual Alliance for Work-Life Progress Conference & Exhibition, Austin, TX.
- ⁸ Galinsky, E., Giglio, P., Ruddy, A.C., & Nelson, G. (2006, March). Communicating the business case for workplace flexibility to key stakeholders. Presentation at the 10th Annual Alliance for Work-Life Progress Conference & Exhibition, Austin, TX.
- ⁹ These examples come from Labor Project for Working Families, Bargaining for Work and Family, Work and Family Contract Language, Alternative Work Schedules at <http://laborproject.org/bargaining/altwork.html>.
- ¹⁰ See Corporate Voices for Working Families (2005, November). *Business impacts of flexibility: An imperative for expansion*. Washington, D.C.: Author.
- ¹¹ Corporate Voices, at 4; Galinsky, E. Bond, J.T., and Hill, E.J. (2004), *When work works: A status report on workplace flexibility. Who has it? Who wants it? What difference does it make?* New York, NY: Families and Work Institute.
- ¹² See Corporate Voices, at 9-11.
- ¹³ See, e.g., Galinsky, E., Bond, J.T., and Hill, E.J. (2004); Landauer, J. (1997). Bottom-line benefits of work/life programs. *HR Focus* (July): 3-4; Lineberry, J. & Trumble, S. (2000, Winter). The role of employee benefits in enhancing employee commitment. *Compensation and Benefits Management* 16(10), 9-14.
- ¹⁴ Corporate Voices, at 4; Baltes, B. B., Briggs, T. E., Huff, J. W., Wright, J. A., and Neuman, G. A. (1999). Flexible and compressed workweek schedules: A meta-analysis of their effects on work-related criteria. *Journal of Applied Psychology*, 84(4), 496-513.
- ¹⁵ Watson Wyatt (2006). *Watson Wyatt human capital index: Human capital as a lead indicator of shareholder value, survey highlights*. Rochelle Park, NJ: Author. Retrieved March 2006, from <http://www.watsonwyatt.com/research/resrender.asp?id=W-488&page=3>.
- ¹⁶ Id. at 13.
- ¹⁷ Id.
- ¹⁸ Halpern, D.F. (2005, May). How time-flexible work policies can reduce stress, improve health, and save money. *Stress and Health* Retrieved June 2005 from <http://berger.claremontmckenna.edu/Publications/Papers/StressHealth.pdf>; Corporate Voices, at 14-15.

- ¹⁹ See "Workplace Flexibility Improves Performance and Increases Business Productivity, CEOs of Fortune 500 companies say they will scale-up pilot programs" The BOLD Initiative Press Release, July 18, 2005; Workplace Flexibility Initiative Case Study: Gannett Co. Inc. (June 15, 2005).
- ²⁰ "Chubb Workplace Flexibility Initiative Boosts Employee Productivity," Chubb Press Release, July 18, 2005.
- ²¹ Corporate Voices, at 22.
- ²² Colman, R. (2004). Telecommuting transitions. *CMA Management*, 78(5), 23-28.
- ²³ Meyer, C.S., Mukerjee, S., Sestero, A. (2001). Work-family benefits; Which ones maximize profits? *Journal of Managerial Issues* 13(1), p. 40.
- ²⁴ These concerns are evident in a review of relevant literature as well as from interviews conducted by Workplace Flexibility 2010 staff in Summer 2005. Information surfaced through interviews is simply anecdotal and is not intended to be statistically sound.
- ²⁵ U.S. General Accounting Office (1985). *Statement of Rosslyn S. Kleeman, Associate Director, General Government Division Before the Subcommittee on Human Resources of the House Civil Service and Post Office Committee: Flexible and Compressed Schedules in Federal Agencies*. Washington, D.C.: U.S. Government Printing Office, p. 8; U.S. Office of Personnel Management (2000). *Report of a Special Study, Achieving a Balance: Meeting Work and Family Obligations*. Washington, D.C.: Author, p. 7.
- ²⁶ See, e.g., Rose, K.L. (1998, August). The business case for FLEX. *HR Focus* 75(8), S1-S2; and Barnett, R.C., Gordon, J.R., Gareis, K.C., & Morgan, C. (2004, August). Unintended consequences of job redesign: Psychological contract violations and turnover intentions among full-time and reduced hours MDs and LPNs. *Community, Work & Family* 7(2), 227-246.
- ²⁷ See U.S. Office of Personnel Management (1998). *A review of federal family-friendly workplace arrangements*. Washington, DC: Author; Greenwald, J. (1998). Employers warming up to flexible schedules. *Business Insurance* 32(24), 3-4.