

Flextime: Flexible Work Arrangement Agreement

12/1/2010

This flexible work arrangement agreement is established between [Company Name] and [Employee Name].

This agreement shall become effective as of _____ and shall remain in effect until _____ unless modified or terminated by [Company Name], the employee, or the supervisor or successor to the supervisor of the employee. In the event that either the company or the employee needs to terminate the agreement that party shall provide the other party with four weeks written notice. However, in the event of a workplace emergency, the agreement may be suspended immediately and indefinitely. This agreement may be reviewed at any time if requested by either party.

This agreement is subject to the employee satisfying the following conditions on a continuing basis:

The employee shall perform all job duties at a satisfactory performance level.

The employee's work schedule does not interfere with normal interactions with his/her supervisor, co-workers, or customers.

The employee's schedule does not adversely affect the ability of other company employees to perform their jobs.

The employee assures his/her accessibility to co-workers who maintain the company's regular working schedule.

The employees paid leave will be earned and used in the same manner as prior to this flexible work arrangement agreement and be subject to all other applicable company leave policies

The employee maintains this agreed-upon work schedule.

All of the employee's obligations and responsibilities, and terms and conditions of employment with the company remain unchanged, except those specifically changed by this agreement. Any non-compliance with this agreement by the employee may result in modification or termination of the flexible work arrangement established by this agreement. Such modification or termination will require four weeks' notice to the employee.

Flexible Work Schedule: _____

I have read and understand this agreement and all its provisions. By signing below, I agree to be bound by its terms and conditions.

Employee Signature

Date

Approved by: _____

Name of Supervisor

Date

Flexible Work Arrangements: Popular Alternatives to Enhance Benefits

6/26/2009

By Culpepper and Associates

The economic downturn has forced many companies to reduce expenses and the level of benefits they provide to employees. To offset the sting from cuts to benefits programs, an increasing number of companies are offering flexible work arrangements to enhance work/life balance, improve morale and prevent the loss of valuable employees.

Results from a recent *Culpepper Benefits Survey* reveal that 90 percent of companies offer one or more flexible work arrangements to employees.

Flexible work arrangements include a variety of different alternative work schedules and programs to promote work/life balance, including telecommuting, flexible work hours, compressed workweeks, part-time employment, phase-back from maternity leave, phased retirement, job sharing and seasonal schedules.

Across most job levels, telecommuting and flextime are the two most common flexible work arrangements (see Figure 1 and Table 1).

Figure 1: Percent of Companies Offering Flexible Work Arrangements by Job Level

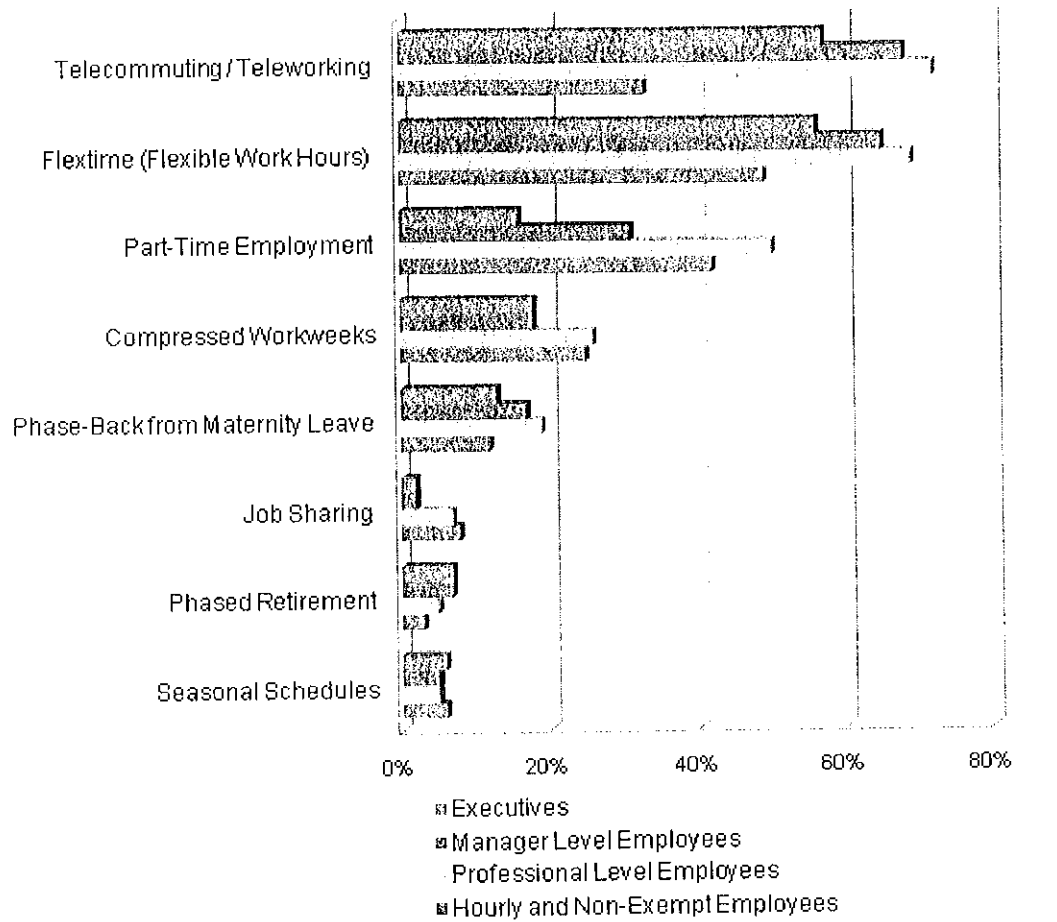


Table 1: Percent of Companies Offering Flexible Work Arrangements by Job Level

	Executives	Manager-level employees	Professional-level employees	Hourly and non-exempt employees
Telecommuting / teleworking	57%	68%	72%	33%
Flextime (flexible work hours)	56%	65%	69%	49%
Part-time employment	16%	31%	50%	42%
Compressed workweeks	18%	18%	26%	25%

Phase-back from maternity leave	13%	17%	19%	12%
Job sharing	2%	2%	7%	8%
Seasonal schedules	6%	5%	5%	6%
Phased retirement	7%	7%	5%	3%

Data source:

Culpepper Benefits Survey of 182 organizations.

Survey dates:

April 13, 2009, through June 9, 2009.

Breakdown by sector:

- Technology: 58%
- Life science: 13%
- Health care services: 7%
- Other: 23%

Breakdown by number of employees:

- Up to 100 employees: 23%
- 101 to 500 employees: 24%
- 501 to 2,500 employees: 28%
- 2,501 to 10,000 employees: 14%
- Over 10,000 employees: 11%

Breakdown by Ownership/Corporate Status:

- Public: 32%
- Private: 56%
- Not-for-profit: 10%
- Other: 2%

Breakdown by Country:

- United States: 90%
- Canada: 7%
- Other: 3%

Culpepper and Associates conducts worldwide salary surveys and provides benchmark data for compensation and employee benefit programs.

Reposted with permission

Source: Culpepper Benefits Surveys, June 2009.

Related Resources:

Managing Flexible Work Arrangements, *SHRM Online* Research, April 2009

Flexible Work Arrangement Agreement, *SHRM Online* HR Forms

Creating a Flexible Workplace, *SHRM Online* HR Education, 2008

Webcast: Flexible Work Arrangements, SHRM Multimedia, February 2009

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22314 USA

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Phone International: +1 (703)
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Managing Flexible Work Arrangements

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Reviewed/Revised 09/2010

Scope—This article provides an overview of practices concerning the use of flexible work arrangements as a strategic staffing management solution. It addresses the opportunities and challenges associated with adopting and managing flexible work arrangements, types of flexible work arrangements and legal issues associated with such arrangements.

Overview

Effective executives will consult with high-level HR professionals and consider the results of employee opinion surveys and research findings to maximize the organization's ability to meet strategic goals through its human resources. In so doing, one topic to be addressed involves flexible work arrangements. HR professionals will be charged with the operational aspects of implementing flexible work arrangements to meet strategic goals. See, **U.S. Chamber of Commerce: Workplace Flexibility—Employers Respond to the Changing Workforce.**

This article addresses:

- The opportunities and challenges associated with flexible work arrangements in general.
- Types of flexible work arrangements in widespread use and particular issues associated with them.
- Legal issues arising out of flexible work arrangements.

There are two broad categories of flexible work arrangements: schedule flexibility and location flexibility.

Weighing the Opportunities and Challenges

Nearly a third of U.S. workers now consider work/life balance and flexibility to be the most important factor in considering job offers, according to a 2008 national survey of workers who've been with their company less than five years. See, **In Hiring Game, Employers Attuned to Work/Life Balance Win.** According to AARP, employers are making strategic business decisions in addressing the needs of an aging workforce by increasingly providing flexible work arrangements that accommodate the schedules of the employees and their families. See, **Flexible Work at AARP's Best Employers for Workers Over 50.**

However, offering flexible work arrangements can involve a paradigm shift for organizations, especially smaller ones that may not have the critical mass of technology, budget, management and competitive flexibility necessary to make extensive use of flexible work arrangements.

Opportunities

According to a study from data gathered in 2004 and 2005 from more than 3,100 U.S. workers of a multinational company, organizations benefit from building a culture of flexible work arrangements. See, **Workplace Flexibility Has 'Bottom-Line' Implications.** Its findings show that increased job flexibility is associated with a decrease in work-related impairments and improved job commitment over a one-year period. Organizations and their workers can reap many benefits

from adopting flexible work relationships. See, **Workplace Flexibility Benefits Employees, Employers**. Such benefits include:

- Assisting in **recruiting** efforts.
- Enhancing worker morale.
- Managing employee attendance and reducing absenteeism.
- Improving **retention** of good workers.
- Reducing the tangible and intangible costs of worker leaves and **terminations**. When workers leave for vacation, sabbatical, maternity leave, to pursue a new opportunity or as a result of an involuntary termination, flexible work arrangements can help companies avoid having to face their core of **knowledge** departing the organization.
- Increasing the net income of workers.
- Boosting productivity.
- Creating a better work/life balance for workers.
- Increasing the supply of suitable labor through outreach to persons who would not have applied for employment but for the flexible work arrangements.
- Minimizing harmful impact on global ecology. Certain flexible work arrangements can contribute to **sustainability** efforts by reducing carbon emissions and workplace “footprints” in terms of creation of new office buildings.

Challenges

Managers tasked with implementing strategic goals related to flexible work arrangements need to keep many things in mind:

- Keeping programs relevant to workers’ real needs.
- Focusing on the unique needs of specific groups of workers without creating a second class of workers and without engaging in unlawful disparate treatment or disparate impact discrimination. See, **What are disparate impact and disparate treatment?**
- **Communicating** broadly to achieve the benefits of flexible work arrangements. Communicate with workers to identify their needs, and communicate with them about the programs adopted. Likewise, communicate with applicants and the general public.
- Exercising caution when eliminating a program that isn’t working or is no longer relevant to enough workers. Any loss of a benefit can impair morale, even if only a few workers had used it. Consider phasing out unproductive programs over time. See, **Work/Life Benefits: Generating Value Through Work/Life Programs**.

In addition, **managing the change** from a traditional work environment to one with more flexible work arrangements can create or throw a spotlight on various managerial trouble spots, such as:

- Upper management’s resistance to change.
- Control issues, especially in terms of supervision of work.
- Working as a **team** with far-flung members and highly variant schedules.
- Maintaining **safety and security** of personnel and **data**.

Schedule Flexibility

There are several types of schedule flexibility:

- Flextime.
- Compressed workweek.
- Shift work.
- Part-time schedules.
- Job sharing.

Not all types are manageable or worthwhile for all sizes and types of organizations, so every employer considering this arrangement should undertake an **organizational assessment to** determine whether and what kind of flexible scheduling will meet its needs.

The **2008 National Study of Employers**, for example, found that more than 68% of organizations of all sizes offer at least some of their employees the option to work an alternate schedule. Those findings are in marked contrast to another survey, which found that among small businesses, only about one-fifth of firms offer alternative or flexible scheduling as a retention tool. Among that do, the most common approach was the use of flexible work schedules, notably flexible start and stop times. See, **Small Businesses Less Likely to Allow Flexible Schedules**.

From an industry perspective, Colorado-based HealthONE, a hospital services alliance, discovered that flexible work schedules could stem the loss of employees unable to fit their work around their children's school hours. Certain school districts in Colorado hold classes in a nine weeks on/three weeks off rotation, so HealthONE offered employees that same rotation in their work schedules. This approach was more cost-effective than replacing departing employees in an extremely competitive market for health care talent. See, **Work/Life Benefits: Generating Value Through Work/Life Programs**.

Flextime

Flextime is a type of **alternative schedule** that gives a worker greater latitude in choosing his or her particular hours of work, or freedom to change work schedules from one week to the next depending on the employee's personal needs. Under a flextime arrangement, an employee might be required to work a standard number of core hours within a specified period, allowing the employee greater flexibility in starting and ending times. See, **Flextime (flexible work schedules)**.

Compressed workweek

Compressed workweek is an alternative scheduling method that allows employees to work a standard workweek of 40 hours over a period of fewer than five days in one week or 10 days in two weeks. For example, some employers will implement a four-day workweek of 10-hour days. Employers get the same number of working hours, but employees have a three-day weekend every week. Another approach is the 9/80 schedule, in which employees work 80 hours in nine days and have one day off every other week. Among other demographics, employees whose **family status** involves child care or elder care responsibilities may find a compressed workweek to be of particular value. See, **Elder Care: Employee-Caregivers Cost Billions in Lost Productivity and Back-up Child and Elder Care**. Employees save time and commuting expenses by reporting for duty on fewer days. See, **TGI Thursday**. Employers that convert their entire operation to a four-day workweek may save on the cost of utilities and other overhead. See, **We are considering moving our business to a four-day workweek. What are some things we need to consider when moving to this schedule?** Some organizations adopt a compressed workweek on a summer-hours basis. See, **Do your organization's normal working hours change in the summer?**

Shift work

Shift work traditionally has been used in manufacturing environments to maximize productivity from fixed resources and costs. More recently, shift work has become a feature of the 24/7 service economy and a byproduct of **globalization**. For example, supermarkets and computer help desks are now typically open 24 hours a day, seven days a week. Nowadays, a computer user calling for technical support during regular U.S. business hours is likely to end up speaking with a technician working the "graveyard shift" in India. Despite its extensive use in certain environments, shift work poses numerous legal and practical challenges. See, **Employee Shift Work Schedules: An Introduction for HR Generalists**.

Part-time jobs

Part-time jobs are the most traditional of flexible scheduling options. It is typically used when a job requires fewer than 40 hours of work per week. Part-time work can be used to attract a workforce that includes students, parents of young children, older workers and others who need or want to work but do not wish to work a full-time schedule. Although more commonly associated with jobs in retail and food service, some employers do have part-time professional employees. According to a SHRM poll, part-time work has helped organizations retain professionals who otherwise would have

been lost. See, **Does your organization have part-time professional employees?** Some employers give part-time employees a pro-rated benefits package; others offer them no benefits.

Job sharing

Job sharing is the practice of having two different employees performing the tasks of one full-time position. Each of the job-sharing partners works a part-time schedule, but together they are accountable for the duties of one full-time position. Typically, they divide the responsibilities in a manner that meets both of their needs as well as those of the employer. The practice allows for part-time schedules in positions that the employer would not otherwise offer on a part-time basis. It requires a high degree of compatibility, communication and cooperation between the job-sharing partners and with their supervisor. See, **Share and Share Alike**. If the job being shared carries benefits, the job-sharing partners who need benefits usually share a pro-rated benefits package. See, **Study Attempts to Dispel Five Myths of Job Sharing**.

Like part-time jobs, job-sharing arrangements may appeal particularly to students, parents of young children and employees nearing retirement, helping them balance careers with other needs. For employers, the practice may include retention of skilled employees, increased employee loyalty and productivity and a measure of flexibility that can occur when two people fill one job slot.

Location Flexibility

Location flexibility refers to arrangements that make it possible for employees to work remotely from the main work site. There are several types of location flexibility. **Telecommuting** is the most common. Other practices include hoteling and so-called "snowbird" programs.

Telecommuting

Telecommuting, also known as telework, involves the use of computers and telecommunications **technology** to overcome the constraints of location or time on work. In a global economy, physical location has become less important than efficiency of operations. Telework may occur from home, a telework center, or on an airplane or bus.

Telework is best suited for jobs that require independent work, little face-to-face interaction, concentration, a measurable work product and output-based (instead of time-based) **monitoring**. Nevertheless, telecommuting is not unknown in jobs—even HR jobs—that do not fit this mold. See, **'People People' Work at Home, Too and Teleworking HR**. Telework also may be offered as a **reasonable accommodation** under the **Americans with Disabilities Act**.

Telecommuting has become a widely accepted practice, and most organizations that do permit it develop metrics to track their return on investment. See, **Do employees at your organization telecommute?**

Telework may be of three different types:

- Regular, recurring telework, such as an employee spending every workday or regularly scheduled workdays working from a home office or other remote office.
- Brief, occasional telework, such as an employee writing a report or preparing a spreadsheet from a home office after hours or on weekends, or just working from home to avoid interruptions.
- Temporary or emergency work, such as working from home to ensure **business continuity** during inclement weather, a natural disaster or an event such as a political convention that causes significant traffic and parking disruptions. See, **Pope's Visit Gives Feds Unique Chance to Test Telecommuting**.

Opportunities. Companies that give their workers the option of telecommuting report its benefits in greater productivity, lower costs, more options for finding and retaining qualified staff, and improved employee health, according to a survey of U.S. employers by the Computing Technology Industry Association (CompTIA). See, **Survey: Telecommuting Improves Employee Health, Productivity**.

Challenges. Despite its utility in a variety of situations, telecommuting does present challenges to both employers and employees. Among the possible negatives for employees are:

- Being out of the day-to-day flow of information. *See, **Out of Sight, Not Out of Mind.***
- Being way from the hub of activity in terms of office politics, management and intellectual ferment. *See, **Absence Makes the Team Uneasy; Survey Undermines Traditional Thinking About Teleworking.***
- A negative impact on career advancement. Sixty-one percent of more than 1,300 executives from 71 countries believe workers who telecommute have a lesser chance of advancing in their career, even though more than one-third of those executives note that telecommuters are *more* productive than workers in traditional office settings. An employee who is not as productive as a telecommuter—but is readily available for whatever comes up at the moment—is more likely to be put on the fast track simply because that employee is visible. *See, **Most execs say telecommuting could hold back career.*** From another perspective, a telecommuter's flexibility may, in fact, make the employee more "available" than the traditional employee to address a crisis.
- Distraction by spouse, children, pets and others in the workspace.
- A heightened feeling of being "owned" by the organization, in that the company now has a virtual presence in the employee's home.

From the employer's standpoint, downsides or extra effort associated with telecommuting might include:

- Establishing set expectations, trust and unique methods of evaluation to lead from a distance. *See, **Management Tools.***
- The need to adopt strategies and procedures attuned to management of telecommuting workers. *See, **Supervising the Virtual Workplace; Well-Designed Telework Policies Help You Reap Benefits; Making the Leap.***
- Dealing with workers disgruntled because they are not permitted to telecommute. *See, **Telecommuting Might Alienate Workers Left in the Office.***

Hoteling

Hoteling is a practice associated with telecommuting. It involves having telecommuters reserve an office or workstation for their in-office days in lieu of assigning them a permanent work space. Hoteling can cut the organization's office space requirements and reduce costs. *See, **My company is considering hoteling. Can you explain what it is and provide some information on the topic?*** and **The Future is Now.**

Snowbird programs

Snowbird programs allow employees to transfer to an organization's location in a warmer region during winter months. A telemarketing operation or help-desk call center can be physically located anywhere. An organization might be able to attract a better and larger labor force (including older persons) if, for example, it had a program allowing employees to spend winter months working in Florida or Arizona. Snowbird programs are rarely used, probably because of the relatively few employees who could take advantage of them even in organizations having the organizational and competitive ability to implement such a program. *See, **Does your organization offer a snowbird program to your employees?***

Legal Issues

Applicable law should play a major role in the decision on whether to implement flexible work arrangements. Below are some legal issues to consider in terms of alternative work arrangements.

Equal employment opportunity compliance

Equal employment opportunity laws mandate non-discrimination in wages, hours and other terms and conditions of employment. Accordingly, employers should take steps to ensure that all such arrangements are offered and implemented without discrimination on any prohibited basis. Despite an organization's best intentions and non-discriminatory business motivations, however, some groups of employees may reap more of the benefits of flexible work arrangements than others, simply because their circumstances make such options more attractive to them. As with all other employment practices, clear policies, consistent decision-making and careful documentation are needed to fend off possible discrimination charges.

Wage and hour compliance

Employers must be mindful of both **federal** and **state** wage and hour laws in implementing flextime. For example, if nonexempt employees are allowed flextime, it is especially important to track their actual work hours to ensure compliance with the **Fair Labor Standards Act (FLSA)**. Mechanical and computerized time clocks are a valuable tool in this regard.

State wage and hour laws may pose challenges to the use of compressed work schedules if they require daily overtime--that is, **payment of overtime** for work that exceeds a certain number of hours in a 24-hour period. (The FLSA requires overtime only for hours in excess of 40 in a week.) Telecommuting raises even more issues, including:

- Identifying compensable working time.
- Controlling unauthorized off-the-clock work.
- Controlling unauthorized reported work.

See, **Avoid 'Off-the-Clock' Work Claims.**

Likewise, the FLSA does not require holiday pay, but state law may. See, **We have employees who work compressed workweeks. What is our obligation in terms of holiday pay? and Is an employee working a compressed workweek and paid bi-weekly entitled to overtime in the week they work over 40 hours?**

Benefits compliance

Under the **Employee Retirement Income Security Act (ERISA)**, the "1,000-hour rule" makes employees who have completed 1,000 hours of service in a period of 12 consecutive months eligible to participate in any company retirement or profit-sharing plan that is offered to other employees. This requirement applies to both full-time and part-time employees. See, **Implications of the 1,000-Hour Rule for ERISA Retirement and Welfare Plans.**

Eligibility for most benefits (for example, vacation, sick leave, medical insurance, retirement benefits, life insurance and most disability plans) is at the employer's discretion under federal law, but may be mandated by state law. Employers should verify their compliance with any applicable benefits mandates, ensure that their policies clearly state the eligibility requirements for particular benefits and administer their policies consistently. See, **Are we legally required to offer benefits to part-time employees?**

Other legal issues associated with telecommuting

When an organization allows persons to work from their home offices exclusively or in addition to working from corporate facilities, a number of additional legal issues can arise. See, **Legal Issues in Telecommuting.**

- Workers' compensation. If a telecommuter is injured while working at home, is the injury covered by workers' compensation? See, **Telecommuter's injury at home ruled compensable.** Many workers' compensation laws do not distinguish between home-based and central-office-based workers. Injuries to home-based employees can be particularly problematic because of the employer's inability of control the physical working conditions and the potential for fraud.

- Occupational safety and health. On February 25, 2000, the **Occupational Safety and Health Administration** (OSHA) issued a policy on "home offices" (defined as "office work activities in a home-based work site"), indicating the agency "will not conduct inspections of the employee's home offices," "will not hold employers liable for employees' home offices" and "does not expect employers to inspect home offices of the employees."
- Disability accommodation. Telecommuting is sometimes requested as a reasonable accommodation under the Americans with Disabilities Act. Employers are not obligated to agree to such an accommodation in all cases, but they are required to engage in the standard give-and-take with respect to a requested accommodation.
- Privacy and confidentiality. Such concerns are particularly difficult to address in a telecommuting environment. As telecommuting becomes more common, employers must address the unique issues that arise from use of e-mail and the Internet by the home-based worker.
- Independent contractor status. Sometimes employers attempt to avoid legal issues by classifying all off-site workers as independent contractors. If the individuals are not truly independent contractors, however, the employer may create more problems for itself than it solves by taking that approach. See, **Employing Independent Contractors**.

Global legal issues

European governments tend to be more aggressive than the United States in terms of mandating employee benefits. Some countries already require employers to offer flexible work arrangements to some degree, and it appears that this trend will continue. See, **Flexible Work Mandates Flourish in U.K, Australia**. The pace of globalization may drive similar legislation in the United States in the coming years. Atypical of the current situation in the United States, such globalization of standards may usher in the right to part-time work, job-sharing, flextime, compressed working hours, staggered hours, annualized hours and reduced hours for a limited period.

Acknowledgement—This article was first prepared for SHRM Online by Wendy Bliss, J.D., SPHR, and Gene R. Thornton, J.D., PHR, authors of **Employment Termination Source Book: A Collection of Practical Samples** (SHRM). Bliss is the founder and principal of the Bliss & Associates human resource consulting practice, and Thornton is a practicing employment law attorney and freelance writer; both are based in Colorado Springs, Co. In addition to relying on their own professional expertise and research in developing this treatment, the authors have incorporated existing SHRM Online content.

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Society for Human Resource Management

1800 Duke Street
Alexandria, Virginia
22314 USA

Phone US Only: (800) 283-
SHRM
Phone International: +1 (703)
548-3440

TTY/TDD (703) 548-
6999
Fax (703) 535-6490

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Ways to Phase Retirement

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Reducing hours for employees nearing separation can be good for them—and for business.

10/1/2010

By Eric Krell

The use of phased retirement programs among U.S. companies appears to be waning, even though there may be no better time for HR managers to develop flexible work arrangements geared toward employees age 50 and older.

The Society for Human Resource Management's 2010 Employee Benefits survey report indicates that only 6 percent of U.S. companies operate formal phased retirement programs, down from 13 percent in 2006. HR professionals without such programs may want to consider developing them before recuperating 401(k) balances help spark a wave of retirements.

The negative impact on organizations of "flash retirement"—the departure of large numbers of retirement-eligible employees in a short period—"could be eased by well-planned phased retirement programs offering a mix of extended employment and other benefits," notes Warren Cinnick, a Chicago-based director in PricewaterhouseCoopers' people and change advisory services practice.

Organizations have limited the likelihood of flash retirement, stimulated knowledge transfer and leadership development, and enhanced employee satisfaction through the use of formal and informal phased retirement offerings. Organizational culture and the extent to which it embraces flexible work arrangements are key to operating a phased retirement program, says John Daniel, SPHR, chief HR officer at First Horizon National Corp. In annual workplace surveys at his company, "each year, 'my supervisor supports a flexible schedule' rates among the highest-scoring items in terms of satisfaction," Daniel says.

The bank holding company, known by its main brand First Tennessee Bank, was named by the AARP in 2009 as one of the "Best Employers for Workers Over 50," in part for the flexible work arrangements it offers older employees.

These phased retirement programs "start with an assessment of the labor market and its talent management needs," Daniel says. "When it comes to execution, the biggest issue is cultural."

If an organization does not already have policies, procedures and executive support for flexible schedules, Daniel says the



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SHRM article: Phased Retirement: Pension Law Eases Way for Phased Retirement (SHRM Online Benefits Discipline)

SHRM video: Modified pension plans may not be as effective at spurring phased retirement as 401(k) options and flexible scheduling, says Allen Steinberg of Hewitt Associates

Web site: 2009 Best Employers for Workers Over 50 (AARP)

Senate hearing: Senate Finance Committee Hearing on Work Following

introduction of phased retirement programs creates a "major change management challenge."

Waiting on Government

Until recently, the primary hurdle related to phased retirement programs was not cultural but regulatory. The passage of the Pension Protection Act (PPA) of 2006 helped clarify some of the legal issues involved in phased retirement, yet confusion remains due to the slow gears of the federal government as well as the evolving nature of phased retirement itself.

"Phased retirement means different things to different people," says Pierce Noble, a partner at Mercer who testified before the U.S. Department of Labor's 2008 advisory council on phased retirement.

"There is no universal definition of phased retirement," according to The Conference Board report *Phased Retirement After the Pension Protection Act*, an authoritative guide on the practice. Despite the ambiguity, most phased retirement programs share common features, including:

- Offering reduced-hours schedules for employees nearing retirement.

- Enabling employees who are eligible for retirement to collect pension benefits while continuing to collect their salary in compliance with the act.

- Rehiring retired employees as full-time workers, part-time workers or consultants directly or through third parties.

While the law created some new phased retirement options for organizations with defined benefit retirement plans, the future tax implications on companies that compensate retirement-age employees who collect pension benefits remains unclear. The Internal Revenue Service may yet take action related to the PPA's phased retirement provisions by amending the Internal Revenue Code. Currently, the PPA does not specify any length of time a retired employee must remain away from the organization before the employee can be rehired into a formal phased retirement program that enables the employee to collect pension payments.

These issues may soon be resolved as discussions on the use and structure of phased retirement programs continue to crop up in Washington, D.C., including hearings held by the Senate Finance Committee in mid-July. Until then, experts suggest that companies proceed with common sense when creating formal phased retirement programs.

For example, some retirement consultants suggest that companies include a sunset clause for enrollment when creating formal programs. By closing enrollment after one year, the company can create new guidelines for later phased retirees if the IRS' forthcoming rules prove too onerous from a tax perspective.

Retirement, July 15, 2010
(C-SPAN)

Web site: Pension Protection Act of 2006
(U.S. Department of Labor)

Report: Advisory Council Report on Phased Retirement (U.S. Department of Labor)

Sample policy: Phased Retirement Program (University of Iowa)

Report: Phased Retirement after the Pension Protection Act (The Conference Board)



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Noble expects the IRS to include nondiscrimination rules in a future amendment. A formal program allowing part-time employment for people "between the ages of 55 and 65," for instance, likely would qualify as age discrimination. Instead, the program should be open to employees age "55 and older."

Structural Snapshots

Richmond-based Bon Secours Virginia Health System's phased retirement program requires employees younger than 65 who retire to wait three months before returning to work for a minimum of 16 hours a week. This "waiting period" reduces any ambiguity related to the "retired" classification. Retired employees who take advantage of this option are eligible for medical, dental and vision coverage as well as tuition reimbursement. In the health care provider's Richmond health system, roughly 40 percent of employees are age 50 or older.

"Employers committed to a culture of aging must proactively address why older workers leave," says Bonnie Shelor, SPHR, senior vice president of human resources. "Flexibility addresses nearly all of them. Preventing attrition through flexibility involves creative thinking and a willingness to try new ways of doing things."

By soliciting employee feedback, Shelor and her HR team designed phased retirement options that include allowing:

- Full-time retirement-age workers to move to part-time schedules of less than 24 hours per week and continue to receive pension checks.

- Employees older than 70½ to begin receiving their retirement checks regardless of their employment status.

- Employees to retire and then be rehired at a later date while still collecting their retirement checks.

At First Tennessee, workers nearing retirement can enter the company's "primetime program," which consists of a flexible schedule of between 20 and 40 hours per week accompanied by full benefits. The program is available to all employees, and Daniel says it currently serves as an informal phased retirement option.

For example, the banking company's compensation and benefits manager, who reports to Daniel, is 63 and currently works four days a week through the primetime program; in 2011, the manager will further reduce his weekly hours before retiring in September.

"He still has responsibility to help us build programs, respond to regulations and mentor his successor," Daniel explains. "The mentoring is the key activity ... and he is helping us to mentor several other professionals on our HR staff."

Veteran employees who gear down to phased schedules before leaving the workforce for good have a chance to manage a major transition in a more gradual manner. "Traditional retirement can feel like jumping off a cliff for some people," notes John Grounard, administrative director for Bon Secours Virginia Health System. "Phased retirement can help the organization as well as the individuals."

Paul Bursic, director of Cornell University's benefit services, agrees that phased retirement programs can be mutually beneficial. "We place an emphasis on making sure that the agreement represents a good business model in each individual case," says Bursic, who helps oversee a formal phased retirement program for faculty members and staff. "Does it make sense for the faculty member or the staff member to step out this way? Does it make sense for the university to have this person doing the types of things he or she can do on a phased basis?"

Cornell University and Bon Secours Virginia Health System also appear on the AARP's 2009 list of the "Best Employers for Workers Over 50." At Cornell, faculty and staff members may request to take part in the program. They work "half-effort," and receive half of their full-time salary and all benefits. The university must agree with the request. Professors who enter the program agree to relinquish tenure. Phased retirees can access pension payouts from their 403(b) plans as soon as they sign their agreements, which generally last two to three years.

The length of the agreement and specific working arrangements that constitute "half-effort" are worked out between individuals and their supervisors or deans. The underlying uniformity of the program is important, Bursic notes, because it helps prevent the perception among faculty and staff that another colleague is receiving special treatment. Yet, the flexibility on defining "half-effort" is important, he adds, to ensure that the situation makes sense on both sides.

Key Steps

In some cases, particularly in small companies, it may make sense to provide "special treatment" to certain employees nearing retirement age. Anna Rappaport, a retirement consultant, actuary and co-author of The Conference Board report, notes that very small companies, particularly those without defined benefit plans, are well-served by informal phased retirement arrangements tailored to individual situations. For example, a small manufacturing company may design a part-time schedule with increased mentoring responsibilities for a soon-to-be-retiring engineer, without creating a formal program.

The format of a phased schedule varies in practice, according to the needs of the company and the desires of the phased retiree. From an employee perspective, working reduced-

hours, alternating full-time, project or seasonal schedules may be more or less appealing depending on the employee's lifestyle. For instance, are they starting a side business? Do they plan to travel? Do they want to spend more time with grandchildren? Do they care for elderly parents? For most employers, an alternating week schedule is probably harder to manage effectively, Cinnick notes, especially with knowledge workers.

HR professionals should address scheduling design after taking other steps, including the following:

Assess cultural readiness. The introduction of a phased retirement program may require a major change management effort in organizations where flexible work arrangements are relatively rare. "Work on the cultural piece first," Daniel suggests. "That starts with educating managers on the business benefits of the approach. This should be filtered through a business perspective as much as it is filtered through a personal perspective." Although flexible schedules are prevalent among most health care companies, Bon Secours Virginia Health System's CEO Peter Bernard still makes an effort to emphasize the value of mature employees and the importance of their scheduling needs. Bernard routinely hosts lunches for workers age 50 and older to listen to their concerns, discuss developments that may interest them and answer questions, Shelor reports.

Review talent management strategy. Rappaport says HR professionals considering offering phased retirement arrangements should begin by understanding what their organizations are trying to achieve from a talent management perspective. The review should also include a survey of existing knowledge transfer efforts; Rappaport points out that phased retirement programs should be integrated with knowledge transfer. "After you address what you're trying to accomplish at a strategic level, then you can get to the question of how you structure the arrangement," she explains. "And then, pay and benefits become important."

Dig into procedural issues. From a legal and compliance perspective, HR professionals should review the PPA, review relevant age discrimination risks and keep tabs on any amendments the IRS makes to its tax code related to the PPA's phased retirement provisions. Noble encourages HR professionals to conduct a top-down review of all compensation and benefits programs, HR policies and procedures to ensure that they support part-time employment. For example, some companies currently do not provide health care coverage to employees who work less than 30 hours a week. "If people lose their health benefits when they enter into a flexible arrangement," Rappaport asserts, "the program is going to be dead on arrival."

Leave some leeway. Bursic and Daniel suggest that formal phased retirement programs should provide supervisors flexibility to structure the job and schedule to meet the needs

of the employee and the organization. "Our role in phased retirement," Daniel adds, "is to help foster a culture where it can thrive while maintaining flexible policies and support."

While Cornell University's formal phased retirement program may look fairly proscribed, upon closer inspection the final agreement relies on a substantial amount of vetting, discussion and collaboration. Cornell's HR function provides a well-defined policy and support, but it leaves the definition of "half-effort" up to the phased retirees and their supervisors.

Despite numbers suggesting that phased retirement program offerings are on the decline, companies that use such formal and informal programs may well be ahead of the game when the economy stabilizes.

The author is a business writer based in Austin, Texas, who covers human resource and finance issues.

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Future Focus

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Clockwork Productivity

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By Jennifer Schramm

While hiring is picking up in some sectors of the economy, employers are not scaling back their efforts to increase employee productivity. And since there is growing evidence that flexibility in working arrangements, when well-managed, can boost productivity, more HR executives are beginning to consider allowing greater flexibility in scheduling.

In many companies, workplace flexibility has been about enabling employees to balance their work and personal responsibilities more efficiently and less stressfully. But another element of flexibility appears to center on enabling people to work in ways aligned as much as possible with their preferences for either a morning-oriented workday or a schedule tilted toward the later hours of the day.

A growing body of research, much of it conducted in other countries, shows that chronotype—a term denoting the portion of the day a person feels most alert and prefers to be most active—can have a significant impact on styles of working, on productivity and even on creativity and innovative thinking.

Most organizations are arranged in accord with the morning chronotype. As a result, some researchers maintain, individuals with "morning dispositions" have an advantage in career advancement because they are working in harmony with their optimal schedule.

In some industries, to be sure, nontraditional hours and shift work are the norm. But even in organizations that operate according to a shift-work model, managers may not be fully aware that individuals' preferences for starting and concluding their workdays may play a role in productivity and work quality.

By enabling employees to align their schedules with their individual preferences for earlier or later in the day, organizations are likely to get more creativity and productivity from workers who have "evening dispositions." According to some studies, individuals with evening dispositions are more likely than morning-disposition workers to use creative thought processes and apply divergent thinking strategies.

Younger workers are more likely to prefer an evening orientation, while workers above age 50 are more likely to have morning chronotypes. This difference may cause misperceptions between generations about their respective dedication to work. Awareness of the diversity of work rhythms could help dismantle



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stereotypes of younger workers as undisciplined if they prefer to work later than traditional schedules.

Organizations employing shift workers could benefit from understanding and accommodating employees' optimal working hours. The risks of mistakes and accidents caused by fatigue—costing U.S. employers billions of dollars per year—are often heightened in a shift-work environment. Managers in industries employing large numbers of night-time or shift workers are looking at how to leverage workers' best hours for optimum productivity.

Many organizations do not offer a fluid approach to scheduling. And in those that do, an untraditional schedule may not be culturally accepted or may be viewed as a route to career suicide. But employers that swim against that tide could find an open-minded approach a major factor in reducing turnover and in increasing employee loyalty and job satisfaction, especially among younger workers.

The author is manager of the Workplace Trends and Forecasting program at SHRM.

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Staffing: Scheduling: What is a compressed workweek?

11/9/2009

A compressed workweek is a type of alternative workweek schedule. A compressed workweek allows a full-time employee to reduce the number of workdays in a workweek while still having the responsibilities of a "regular" schedule employee. Essentially, a full-time employee will work the normal full-time hours (typically 40) by working longer hours per day, but work fewer days. The most common option for a compressed workweek schedule is the four 10-hour day, or 4/40. If an employer is looking at compressed workweeks, they should review their state's overtime laws for any daily overtime provisions.

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Staffing: Scheduling: What are some common types of alternative work schedules?

11/9/2009

There are infinite possibilities in alternative work schedules. Common types include part-time, flextime, compressed workweeks, telecommuting and job sharing.

- **Part-time** workers regularly work less than a full-time schedule. Part-time schedules may include working only a few days a week or working fewer hours five days a week.
- **Flextime** is when employers have an expectation that employees work a standard amount of hours a week or day, but allow flexibility in their starting and ending times. Some employees, due to family or personal obligations or preferences, work very early in the morning and leave earlier in the afternoon. Other flextime employees may prefer or need to start later in the day and work into the evening.
- **Compressed workweeks** allow employees to work a standard number of work hours over less than a five-day period in one week or a 10-day period in two weeks. The most common compressed workweek schedule is probably 4/10s (10 hours a day for four days a week). Many employers allow exempt employees to work 9/9s biweekly. This means the employee regularly works 9 hours a day with one day off every other week. The 9/9 schedule usually is not preferable for nonexempt workers due to the concern of overtime pay every other week. Additionally, in the summertime it is a fairly common practice for some employers to close early on Fridays, and therefore employees are scheduled to work 9-hour days M-Th and only a half-day on Friday.
- **Telecommuting** is when employees are able to perform work from a remote location (usually a home office) rather than commuting into the company facility. It is common for employers to offer telecommuting on a part-time or periodic basis (e.g., one or two days a week or month). Due to all the technological advances, this practice will likely increase as more and more jobs can be performed completely remotely.
- **Job sharing** is the practice of two different employees performing the tasks of one full-time position. A full-time position filled by two employees that have complimentary part-time work schedules can ensure there is always coverage during normal work hours.

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Alternative Work Schedules: Training for Supervisors

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The traditional work schedule of Monday through Friday is rapidly disappearing. We live in a global society; companies have customers around the world, resulting in the need for varied or expanded hours of operation. Technology and the shift to a service-oriented economy have redefined the nature of work. With dual-career and single-parent households, employees must balance the challenges of their jobs with the demands of their lives; the nature of work has dramatically changed for many employees. Employers and employees are not only seeking but demanding alternative work schedules.

This sample presentation is intended for presentation to supervisors and other individuals who manage employees. It is designed to be presented by an individual who is knowledgeable in alternative work schedules and the company's policies and practices. This is a sample presentation that must be customized to match the employer's own policy, practices, and culture.





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