



FAIR FLEXIBLE FUTURES #3

Reaching a positive financial return on investment in flexible working

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Supported by



Foreword

Timewise is delighted to present this report by the Institute for Employment Studies (IES) exploring the scale of benefits needed to deliver a positive financial ROI on increasing flexible working in frontline sectors. It draws on the findings of five pilot studies by Timewise, conducted in retail, construction, social care, teaching and the NHS.

It addresses the evidence gap on flexible working ROI, providing the impetus for employers and policymakers to prioritise investment in changes to working patterns, for the benefit of business, the individuals they employ, and society as a whole.

Why is flexible working important to society?

Our core aim at Timewise is to improve working conditions and tackle inequality in the UK labour market by improving access to flexible work. Giving people a degree of autonomy and control over how they work helps them to balance their jobs with care commitments and life needs – this can also impact positively on their health and well-being.

The groups who need flexibility the most include carers (predominantly women and single parents), older workers and people with health concerns. Without access to flexibility, some people are excluded from the labour market or become trapped in their current jobs, unable to progress and improve their living standards. With a dramatic fall in labour market participation among older workers, combined with increasing job vacancies, there are strong drivers for change.

And in the last few years, we've seen the emergence of a two-tier workforce of 'flexible have's and have not's', where those in lower paid roles, particularly in frontline industries, have less autonomy and control over how much, when or where they work. Meanwhile, those in higher paid roles are benefiting from the flexible working revolution that is happening in office spaces.

For everyone to have fair access to good quality work, policymakers and employers need to tackle the structural barriers to flexible working in addition to addressing workers' skills barriers.

Why is flexible working important to employers?

Flexibility is in such high demand among workers (one in nine want flex), that a proactive strategy is vital for employers to address key people challenges including staff shortages, ageing workforces, and broader issues such as inclusivity and gender balance.

In frontline sectors the issues have been heightened by the pandemic, as their workers have borne the brunt of either furlough or challenging working conditions, whilst seeing other workers reap the benefits of increased homeworking and flexible hours. There is a need for employers to seek flexible solutions for frontline workers, or risk losing them.

The Timewise pilots in frontline sectors

Timewise's Innovation Unit draws on research insights and years of experience to redesign jobs and workplaces to promote fairer access to quality flexible work for all. It is focused on sectors with the greatest operational barriers to flex and where high numbers of low-paid workers are employed.

Over the last few years, the Innovation Unit has run workplace pilots across some of the UK's biggest frontline sectors: retail, construction, nursing, social care, and education. Collectively, they employ over 8 million people.

We took a multi-stranded approach within each participating organisation: identifying the gap between the flexibility that people can access in their jobs, and what they need; undertaking in-depth analysis of the operational and cultural barriers to flexible working; and working with the employers and their teams to co-design and test flexibility that works for both the organisation and the individual.

In all cases, evaluation of the sector pilots provided evidence of improvements to levels of employee well-being and job satisfaction. However, the scope of the pilots did not allow for a longitudinal assessment of the knock-on impact on staff turnover, absences, or productivity.

The need for long-term ROI evidence

Because of the lack of robust longitudinal evidence to link flexible working with direct financial benefits to business, we still face a challenge when it comes to driving change at scale. We need to go beyond piloting flexible working in teams to stimulating change across whole organisations, and from there to widespread industry change.

But this takes time and requires investment in management training, further pilots, and organisational change programmes to embed new ways of working. Making the case for investment is particularly difficult in frontline industries which often run on tight margins, with an acceptance that churn is high, and where the value placed on junior 'workers' may be less than the 'talent' in management roles.

Timewise had reached a point where we knew we needed stronger evidence of the financial business case for flexible working to overcome scepticism at organisational and national policy level. We needed to counter the argument that employee interests come at the expense of organisational priorities.

So we commissioned the IES to investigate the costs and outcomes of our five pilots, and estimate how long it takes before flexible working interventions become profitable.

The findings show that within just a couple of years, investment in flexible working interventions can outweigh the costs and begin to deliver financial returns in the form of savings made through reduced sickness absence and reduced staff turnover.

Break-even is reached with very modest improvements; in reality firms are likely to be losing hundreds of thousands of pounds by not investing in making work more flexible.

The case for change

This compelling new analysis provides a catalyst for more employers to prioritise investment in flexible working interventions, piloting changes to working practices and subsequently scaling them up for the benefit of all workers.

We also hope that this report will inspire government investment in job design solutions (alongside the millions for R&D in technology), workplace trials, and management training. Progress on this front will help UK employers to become future fit for a post-pandemic world of work. Notwithstanding the improvements to job satisfaction for workers, and the wider societal benefits that will come through having fairer, more equal workplaces.

Emma Stewart
Founder and Development Director, Timewise

Executive Summary

The need to demonstrate ROI, for flexible working in frontline sectors

The business benefits of flexible working are numerous and well documented. Many employers now accept that flexibility has the potential to improve productivity levels, staff retention, talent attraction and well-being; to reduce sickness absence and real estate costs; to support the inclusivity of vulnerable groups and increase gender equality, thereby reducing the gender pay gap; and to enhance their organisation's reputation.

But there is a snag: there have been no longitudinal studies quantifying the beneficial impacts of flexible working over time, and no robust analysis of the financial return on investment (ROI).

In frontline sectors, it is especially difficult for employers to justify investing time and resources in flexible working. Their margins are tight, labour is relatively cheap and easy to replace, and flexible job-design is challenging for roles that are location-based and need to be rostered to cover long operating hours.

With this in mind, and motivated by the mission to realise the wider societal benefits of flexible working for all, Timewise has recently implemented trials in frontline sectors to demonstrate the potential of flexible working arrangements. Timewise pilots have taken place in construction, retail, adult domiciliary care, education, and health.

While these five pilots proved the beneficial effects of flexible working to the participating organisations, their scale still did not allow for a longitudinal evaluation. So, in 2021, Timewise commissioned the IES to undertake an economic analysis of the likely costs and potential benefits of flexible working interventions in frontline sectors.

The aim and approach of this economic analysis

The aim of this analysis by the IES, commissioned by Timewise, is to demonstrate a quantified commercial business case for frontline industries to invest in flexible working, by showing the scale of benefits needed to reach break-even on the cost of interventions.

Following a literature review, including data sources around quantifiable impacts of flexible working, IES developed a logic model to define the measurable factors that could be used in their break-even model.

Out of the many reported benefits of flexible working, the analysis focused on two outcomes that can easily and reliably be quantified: reduced sickness absence and reduced staff turnover. Sector-specific estimates of the rates for these two factors were obtained from industry sources.

On the costs side, these were based on the actual costs of the Timewise pilots, comprising investment in consultancy time (but using industry standard consultancy day rates¹) and also the cost of staff time at the participating pilot organisations. The pilot interventions were deep dive programmes, each lasting a full year or more in duration. They followed a four-phase process of diagnostic, pilot design, guided rollout of the pilot, and evaluation.

While the costs of the programme accrued in a single year, the benefits should be felt long-term. The analysis therefore looked to see the scale of benefits needed over a three year period, to balance the costs.

¹. Rates were standardised to assist employers who may want to commission a different consultancy firm to conduct a similar intervention.

Results of the break-even analysis

- In retail, for a store with 200 shopfloor sales/retail staff including supervisors, the costs of the flexible working programme would be recovered within three years by a reduction in sickness absence of 16% per year. This equates to a reduction of 0.8 sick days per person per year. Alternatively, staff turnover would need to reduce by just 5% per year over 3 years, equating to four fewer leavers per year.
- In adult domiciliary care, for an organisation with 200 domiciliary care staff, break-even would be reached within 3 years by a reduction in sickness absence of 29% (1.2 days per person) per year. Alternatively, a 7% reduction in staff turnover per year would balance the costs over 3 years (five fewer leavers per year).
- In construction a site with 200 construction staff would require a reduction of one sick day per person per year (over 3 years) for the pilot to break even. Alternatively, a reduction in staff turnover of 11% per year over 3 years would do the trick (equating to 7.5 fewer leavers per year).
- In teaching, Multi-Academy Trusts (MATs) with 100 teaching staff would require an average of one fewer sick day per teaching staff member per year in order for the programme to break even over three years. Alternatively, just one fewer leaver per year over three years would see the pilot breaking even.
- In nursing, for 306 staff across 9 wards, a reduction in sickness absence of 0.8 days per person per year (over 3 years) would render the programme cost neutral. Alternatively, the reduction needed in staff turnover is 18 fewer leavers per year (out of the 46 who would usually leave).

Of course, in reality, the costs would be recovered sooner or with lower reduction rates, as there would be a combination of savings across the two factors.

Moreover, the analysis excludes other outcomes from flexible working that are less easy to quantify, such

as increased productivity, reduced presenteeism, improved progression, and employer reputation. All of these are likely to have positive financial impacts.

Plenty of scope to realise the benefits, in the five frontline sectors

While the analysis shows how little impact is needed for flexible working interventions to be financially worthwhile, the reports on the Timewise pilots show that there is plenty of potential in frontline sectors, as they are starting from a low base. Take-up of flexible working (which largely equates to lack of access to it) is low.

In the health sector¹, although variable shift patterns are available, nurses' influence over them is usually limited. It is broadly accepted that the unpredictable and unsocial working patterns of nurses are a significant contributing factor to staff turnover. The Timewise sector pilot demonstrated improvements through giving nursing staff greater involvement in their work scheduling, through team-based rostering.

In the construction sector², Timewise found a range of barriers to flexible working including an hourly pay structure which rewards long hours, a reliance on stretching staff resource to meet project demands and a perceived lack of career progression for people who were not prepared to work long hours. A move to a more output based approach to pay, changes to how shifts were arranged and an increase in homeworking (for non-manual roles) led to improvements in well-being and increased productivity.

In the retail sector³, the lack of flexible opportunities is perceived as a barrier to progression. Timewise's report found that only 6-25% of promotions were awarded to part-time staff, despite 50-75% of all store staff working part-time. This was Timewise's second programme in the retail sector and it piloted a team-based approach to giving more advanced notice of schedules. Positive impacts included reducing/removing the flexibility stigma, and a measurable increase in work-life balance scores.

1. Timewise (2019): Improving Nurses' Work-Life Balance

2. Timewise (2021): Making Construction a Great Place to Work

3. Timewise (2018): Modern Retail: A Nation of Part-Time Shopkeepers?

For social care staff in community and domiciliary settings¹,

Timewise found that poor retention rates were directly linked to scheduling and the unpredictability of rotas, the absence of slack in the system, unsocial hours, downtime in the middle of the working day and the need to travel long distances between clients. Timewise trialled a move to more advance notice of rotas coupled with a team-based, geographic approach. The pilot led to a reduction in overheads, by reducing the size of the central administration team and savings made on travel time. There was also a slight reduction in absence rates.

In teaching², there are significant cultural and attitudinal barriers, as well as real administrative burdens around building timetables that adapt to flexible working arrangements. Despite this, wider reported benefits of increased flexible working in the sector include improved recruitment and retention, reduced sickness and absence rates, and better management of succession planning.

Further to these observations, data from Understanding Society finds a clear relationship, in all of the pilot sectors, between employees' degree of control over their working hours (in terms of the times they start and finish their working days), and their job satisfaction. It also reports a strong correlation between low job satisfaction and high leaving intention.

The same source finds that employees in our five frontline sectors have low levels of autonomy and control over their working hours. This is backed up by data from the Labour Force Survey, which shows that the rates of staff with flexi-time arrangements ranges from 3% of construction and teaching employees to 9% of social care employees (compared with 12% incidence of flexi-time amongst all employees).

All of this suggests plenty of room for improvement in employee job satisfaction, and therefore staff retention, by increasing access to flexible hours. It's worth noting that zero hours arrangements (which are relatively high in retail and domiciliary care), are not the same thing as having flexi-time, which is a clear employee benefit in a secure, salaried job.

Conclusion

Although the economic analysis is based purely on flexible working pilots run by Timewise, together with indicative modelling, they tell a strong story. It's clear that interventions to increase access to flexible working are highly likely to provide a positive ROI in a relatively short space of time.

Only modest improvements are needed in either reduced sickness absence or reduced staff turnover for the benefits of a flexible working programme to outweigh the costs within 3 years.

Businesses should no longer be afraid of investing in flexible working initiatives.

Recommendations for employers in frontline sectors

Getting flexible working right requires investment and careful monitoring to remove any disparities in access to flexible arrangements, and to ensure that there are no detrimental effects to customer experience or business performance. Employers need to:

- Create a business case for flexible working
- Get flexible working on the agenda of the board, and make it a key criterion for ESG reporting
- Consider what types of flexibility can be offered to all employees, now and in a post pandemic future
- Trial flexible arrangements in small teams before rolling out
- Appoint a team to work out the actions required, and the cost of interventions to improve flexible working
- Integrate the flexible working approach as part of wider organisational processes or transformational change
- Establish clear metrics for tracking progress.

¹. Timewise (2017) Caring by Design

². Timewise (2022) Report on a pilot programme in secondary schools will be published in June

Recommendations for policy makers

In spite of the positive ROI case made by this economic analysis, it may still be necessary for policymakers to incentivise frontline employers to drive organisational change on flexible working. If it's left for the market to sort it out, it will take too long.

Timewise therefore calls on:

- The UK Government's Flexible Working Taskforce to create a challenge fund for businesses in frontline sectors, to catalyse workplace trials on flexible job design.
- The Scottish Government to ringfence part of its £10m investment in trialling a four-day-week, to instead target wider flexible job design trials for frontline industries.
- UK Research and Innovation (Innovate UK) to consider an investment fund for sector and trade bodies, to support new ways of working.
- Combined authorities to align action on flexible working with the delivery of key strategic priorities; invest in more support to employers which struggle to improve flexible working; incentivise adherence to 'good work standards'; and influence their procurement chains to encourage increased flexible working.
- Local Enterprise Partnerships to develop their strategic visions to recognise the centrality of flexibility to inclusive economic growth, and provide support to employers of all sizes and sectors.
- Trade and industry bodies to call on their members to take action on flexible working, in order to tackle key workforce challenges; also to support their members by signposting guidance and resources, and encouraging them to share good practice.

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1 Introduction

In 2021, Timewise commissioned IES to undertake a series of economic analyses of the likely costs and potential benefits of adopting flexible working approaches in five sectors:

- Nursing/clinical frontline staff
- Construction site workers
- Retail shopfloor staff
- Teaching
- Social care staff in community and domiciliary settings

In recent years Timewise has implemented five large-scale trials to demonstrate the potential of flexible working arrangements in these sectors. The interim review of this work found that stronger evidence is required to convince sceptics of the business case for flexible working: '[interviewees] felt that stronger evidence on the benefits is key to overcoming scepticism at organisational and national policy level, and countering arguments that employee interests necessarily come at the expense of organisational priorities in certain sectors.'¹

Implementing support for flexible working policies is not without cost. Without a positive return on investment (ROI) it is unlikely flexible working initiatives will be adopted at scale by employers, especially those with tight profit margins who often need a stronger business case for investing in change. Employer action on flexible working is necessary, however, for wider societal as well as economic reasons.

Initial work on scoping the potential parameters of the work (undertaken by Pro Bono Economics) suggested that the likely available data is insufficient to develop a robust cost-benefit analysis, but rather a 'break-even' analysis is more achievable. The aim of this project is to demonstrate a quantified commercial business case for flexible working initiatives, that shows the scale of benefits that would need to be delivered in each of these sectors to deliver a return on investments made to support flexible working. The break-even analysis would:

- Identify the key commercial or economic benefits possible from improved flexible working arrangements.
- Quantify the potential monetary value of improving these outcomes.
- Demonstrate the scale of improvement required in each of the outcomes to offset the costs of a typical flexible working intervention.

The outputs from the work will allow employers and other stakeholders to identify the returns that they would need to make to meet the likely investment associated with implementing flexible working arrangements, and answer questions such as:

- How many days does sickness absence need to reduce by, among staff working flexibly, for the benefits to outweigh the costs?
- By what percentage does staff turnover have to reduce for the benefits of flexible working to outweigh the costs?

¹. Timewise (2021). Timewise Innovation Unit: Interim Evaluation (an unpublished report – information is available from Timewise if required).

The key elements of the project were to:

- 1.** Agree a logic model that adequately describes the flexible working initiatives by Timewise, with a clear shortlist of outcomes and economic benefits.
- 2.** Identify existing evidence and methodologies that enable the monetisation of outcomes of interest to commercial organisations / delivery departments in a meaningful way. For example, this could include:
 - Assessing the potential scale of benefits from a reduced day of sick leave in each of the sectors of interest, based on average wage rates.
 - Using pre-existing literature to assess the potential costs of a member of staff leaving.
- 3.** Engage with Timewise to agree a plausible range of cost assumptions for implementing a flexible working programme based on their experience from trials delivered so far. This cost should include both the costs to the businesses as well as the costs of advice and support provided by Timewise.
- 4.** Demonstrating what improvement in each outcome is required to offset the costs of the interventions.

The project involved desk-based literature searching and reviewing, and analysis of existing data sources. The literature search built on materials previously collated and was an exploratory, light touch rapid evidence assessment (REA) based on the key topics from the logic model and the sectors under consideration, looking for recent methodological studies or empirical studies, with a focus on the UK.

This report summarises the development of the flexible working logic model and the break-even analysis of flexible working initiatives in Timewise pilot sectors. The aim is to provide information to support employers and relevant government delivery departments when considering further uptake of (and financial support for) flexible working initiatives.

2 Literature review and development of logic model

2.1 Literature review of cost benefits of flexible working

2.1.1 The business case for flexible working

Research on the impact of flexible working arrangements on performance and productivity has been ongoing since the 1970s¹. However, findings are inconsistent.

An amorphous definition of ‘flexible working’, as well as varied approaches to implementation and assessment, means that impact evaluations are driven by many factors and therefore lead to very different conclusions. A systematic review of evidence for a business case for flexible working in 2011 concluded that there is a ‘lack [of] clear evidence in support of a universal business case for flexible working’¹, in terms of robust evidence of causal links. Despite this, there is a growing recognition of the positive impacts that can be generated from flexible working, if it is developed and supported in the right way. This is evidenced by the substantial amount of literature on the business case for flexible working which has grown in recent years.

The term ‘flexible working’ is applied to part-time working, temporary contracts, working from home and many more, which means that an array of working arrangements can be encompassed by the term. Research in 2017 explored clusters of organisations implementing similar types of flexible working arrangements and identified a link between higher employee turnover and more traditional working hours, concluding that ‘From a human resource and talent management perspective, organisations looking to reduce attrition rates and retain top talent should consider the benefits

of offering flexible working arrangements when considering ways to reduce [staff] turnover.’²

Perhaps even more significant are the differences in its application, which can have a profound impact on outcomes. Different approaches taken for supporting the implementation of flexible working arrangements (e.g. employee-driven or employer-driven, with and without external expertise, a proactive systematic approach or an ad hoc reaction to individual requests) create an important set of variables that significantly influence outcomes. A 2020 report³ investigating the effect of employee-driven versus employer-driven flexible working arrangements found that employer-driven arrangements (mostly associated with shift-work, overtime, weekend work, annual hours, fixed terms contracts) were negatively associated with organisational performance. Conversely, they found that employee-driven flexi-time work arrangements were positively associated with organisational performance. The key variable here is choice for the employee; some employer-driven types of ‘flexible working’ actually undermine the ability of employees to perform well. This translates into under-performance at an organisational level. Conversely, an evaluation of ‘results only work environments’, that supported high levels of employee-driven flexible working, found that the implementation of this approach at one employer reduced its staff turnover rate by 45.5%.⁴

In conclusion, while some research provides convincing evidence of benefits accrued from flexible working practices, the lack of a clear definition and the variety of ways in which it can be implemented and evaluated in the workplace, make it difficult to provide a clear-cut economic business case for flexible working from existing research.

1. de Menezes, L. M. and Kelliher, C. (2011). Flexible Working and Performance: A Systematic Review of the Evidence for a Business Case. INTERNATIONAL JOURNAL OF MANAGEMENT REVIEWS, 13 (4), pp. 452-474. doi: 10.1111/j.1468-2370.2011.00301.

2. Berkery, E. et al (2017). On the Uptake of Flexible Working Arrangements and the Association with Human Resource and Organisational Performance Outcomes. EUROPEAN MANAGEMENT REVIEW, 14 (2), pp. 165-183. doi: 10.1111/emre.12103.

3. Austin-Egole, I. S., Iheriohanna, E. B. J. and Nwokorie, C. (2020). Flexible Working Arrangements and Organisational Performance: An Overview. ISOR JOURNAL OF HUMANITIES AND SOCIAL SCIENCE (IOSR-JHSS), 25 (5), Series 6, pp.50-59

4. Moen, P., Kelly, P. and Hill, R. (2011). Does Enhancing Work-Time Control and Flexibility Reduce Turnover? A Naturally Occurring Experiment. PMC, 58 (1), pp.69-98

2.1.2 The sectoral context for flexible working

A key factor in providing flexible working arrangements is job role or sector context and the extent of (perceived and actual) opportunity for flexible working. While flexible working has been widely adopted in some job roles and sectors (e.g. the recent increase in home-working precipitated by the Covid-19 pandemic among many office-based roles), others are seen as having fewer (or no) opportunities for flexible working. Many roles with less perceived opportunity for flexible working are key workers¹ and lower paid roles. For example, higher-skilled occupations are more likely to work from home than lower-skilled workers.²

The Timewise sector pilots have explored the opportunity for flexible working in some of these 'hard to reach' job roles in the five sectors being investigated. The sections below provide a summary of findings on the opportunity and benefit that can be delivered through flexible working within these job roles and sectors, drawing from Timewise reports and other literature.

Nursing/clinical frontline staff

Nurses have extremely varied work patterns and their influence on these is usually limited. It is broadly accepted that the unpredictable and unsocial working patterns of nurses are a significant contributing factor for staff turnover.

The Timewise sector pilot pointed to evidence of the positive impact accrued from giving nursing staff greater involvement in their work scheduling and encouraging requests for specific shifts. These include improved staff retention and recruitment. To give an example from the diagnostic phase of the pilot, one hospital recruited a bank nurse who "thought that was the only way to manage her work-life needs – but having seen what was happening decided to apply for a staff position".

As a part of the evaluation activities for the pilot a pre and post survey was undertaken. These surveys

found that, due to the pilot, nurses who felt their preferences for when to work were being met 'a lot' or 'fully' went up from 39% to 51% between the two surveys. The level of nurses scoring highly on their input into rosters rose from 14% to 26%, before and after pilot activities. Also, the level of nurses who reported a strong sense of collective responsibility rose from 16% to 36%. As a result of these findings it was concluded that team-based rostering was seen to have three main benefits: better meeting nurses' work-life preferences; increasing nurses' input into rosters; and improving collective responsibility. It was noted, however, that there are costs attached to the implementation of flexible working arrangements, with training and increased time for rostering.³

Given ongoing nursing shortages and 'burnout' among staff (exacerbated by increased workloads and challenges associated with the arrival of Covid-19), it is critical that increased flexibility is available to nurses/clinical frontline staff to give them greater choice over when they work.⁴

NHS Employers (NHSE) have created a guide on how to embed flexible working for nurses.⁵ This includes results from a staff survey where nurses stated the three biggest barriers to flexible working were staffing issues, no organisational policy and unsupportive line management. Only 37% of the nursing workforce had flexible working, and 83% of those who did not would like to work flexibly. The reasons for nurses wanting to work flexibly include work-life balance, caring responsibilities, extracurricular activities, study and health reasons. The identified benefits for employers include accessing a larger talent pool of potential employees, improving workforce diversity, reducing costs of full-time cover, increased employee commitment and reductions in sickness, absence and staff turnover.

This year Timewise has worked further with NHSE&I and in September announced the NHS Flex for the Future Programme where they will work together to help NHS organisations better embrace flexible working.

1. A key worker is defined as someone whose work is critical to the coronavirus (COVID-19) response, including those who work in health and social care and selected workers in other key sectors such as education and childcare, key public services, local and national government, food and other necessary goods, public safety and national security, transport and border & utilities, communication and financial services.

2. ONS (2020). Coronavirus and homeworking in the UK labour market: 2019.

3. Timewise (2019). Improving Nurses' Work-Life Balance: Insights from a team-based rostering pilot.

4. Timewise (2018). Flexible Working in the NHS: The Case For Action.

5. NHS Employers (2020). How to embed flexible working for nurses.

Construction site workers

The construction sector has long been perceived as a male domain, particularly with regard to operational roles. It also has a reputation for unsocial working hours and poor mental health, in particular the high rates of suicide among those working in the sector. Recent research by Glasgow Caledonian University has found there has been no change in historical ratios, with people in the construction industry still three times more likely to take their own life than those working outside it.¹

The Timewise sector pilot worked with four construction firms and focused on giving workers greater autonomy and control over their own working patterns. Through an initial diagnostic assessment, Timewise found a range of barriers to flexible working. These included an hourly pay structure which rewarded long hours, a reliance on stretching staff resource to meet project demands and a perceived lack of career progression for people who were not prepared to work long hours. Furthermore, there were a range of logistical constraints that were barriers to flexible working, including inter-dependency of roles and long travel times to site.

A move to a more output based approach to pay, changes to how shifts were arranged and an increase in home-working (for non-manual roles) led to improvements in well-being and increased productivity. One supervisor commented “Productivity is the same as a 10 hour day being done in 8 hours. People are more energised and working faster. If you are being paid for a 10 hour shift you will make it last 10 hours, but if there is an incentive to still get paid a full shift but finish quicker you are focused to get the work done.”²

Evaluation of the pilot activities in construction showed positive effects on survey outcomes, from the pre pilot survey to post pilot survey. Fewer staff agreed that they regularly worked significantly more than their contracted hours, falling from 51% to 34%. The majority (85%) of staff, post pilot, agreed their

working hours gave them enough time to look after their own health and well-being, compared to 48% prior to pilot activities. The level of staff who would feel guilty if they started later or finished earlier than the other people on their site, fell from a half (47%) to a third (33%) between surveys. Fewer construction staff also agreed with the statement “If someone works from home, I am not sure they are working as hard as they would be on site”, falling from 48% to 33%.

The reported benefits of increased flexible working to staff well-being, and their increased ability to balance home and work lives, is likely to have a positive impact on absence and retention. Importantly, for a sector that is facing an increasing skills shortage, it will also have a knock-on impact on sector attractiveness for potential new recruits.

Retail shopfloor staff

While retail appears to offer flexible working arrangements, in terms of hours of work, these arrangements are not maximising the skills available to the sector. Part-time, temporary and ad hoc employment in the sector is high, providing opportunities for employers to meet increased customer demand at peak-times and for employees to fit work around other commitments and interests. However, there are some concerns that this allows employers to evade legal or collective bargaining standards for pay and other entitlements associated with full-time and permanent employment.³

The issue with flexible working, especially in retail, is that it is perceived as a potential barrier to progression. In 2016 the British Retail Consortium found that 56% of retail employees believe they are less likely to get promoted if they work part-time.⁴ In addition, 53% of part-time workers in retail are interested in career progression and would accept promotion if they could take their part-time and flexible arrangements with them.⁵ Clearly many feel they can't.

1. Glasgow Caledonian University (2021). See: <https://www.gcu.ac.uk/theuniversity/universitynews/2021-mentalhealthofconstructionworkers/>

2. Timewise (2021). Making Construction a Great Place to Work: Can Flexible Working Help? Insights from 4 pilot studies

3. Joseph Rowntree Foundation (2014). Improving Progression in Low-Paid, Lowskilled Retail, Catering and Care Jobs.

4. British Retail Consortium (2016). Retail 2020 Report 2: What Our People Think

5. Ibid

The sector suffers with a high rate of unplanned absence, reported at 7% in a 2018 survey¹ (sickness absence in the UK is around 2%²). This is a major issue for the sector and a significant constraint on performance and profitability. One survey found that 58% of UK managers felt that the impact of unplanned absence on staff productivity was (at least) 'reasonably significant'.

It is also notable that significantly fewer supervisors and managers work on a part-time basis, meaning that staff who want to work part-time become stuck in junior positions. A Timewise report found that only 6-25% of promotions were awarded to part-time staff, despite 50-75% of all store staff working part-time.³

Timewise initially worked with Pets at Home plc to pilot the redesign of retail management roles on a flexible and part-time basis. Their initial diagnostic work revealed high attrition rates for women. They also found that the ratio of men moving off the shop floor into assistant manager roles was double that of women. Through a partnership approach, Timewise found that four-day-week and job-share partnerships were viable models for store management roles. It is hoped that, by Pets at Home plc offering these new models, more women will remain in the business and progress into managerial roles.⁴

Following on from the work with Pets at Home, Timewise launched a second programme in the retail sector, which included working with Tesco to pilot a team-based approach to flexible job design and hiring, through training an internal team to lead working sessions with managers in three pilot stores. The aim was to unlock operational and cultural constraints on working flexibly or part-time for section managers. Impacts included reducing/removing the flexibility stigma, giving individuals more input into shift patterns and more advance notice of shift patterns, and a measurable increase in work-life balance scores when comparing survey responses before and after the pilot.

Social care staff in community and domiciliary settings

As with the retail sector, the care sector employs high numbers of part-time workers, allowing employers to meet customer needs (who often require support during unsocial hours). However, retention is an issue (particularly among young people) and this constant change in staff is likely to impact on the quality of care. As with the retail sector, there are concerns that employment is associated with poor job quality and non-standard working contracts.⁵ The extent of non-standard working contracts in domiciliary care is highlighted in the Skills for Care annual report (2020) on the social care sector, which found that almost half (42%) of the domiciliary care workforce were employed on zero-hours contracts.⁶ When considering just care workers in domiciliary care services this rose to 56%.

Timewise research found that poor retention rates were directly linked to scheduling and the unpredictability of rotas, the absence of slack in the system, unsocial hours, downtime in the middle of the working day and the need to travel long distances between clients.⁷ This correlates with other work that suggests that team-based rostering can improve staff vacancy, absence and retention rates.⁸

As with the retail sector, Timewise recommended a move to more advance notice of rotas; additionally, for social care, a team-based, geographic approach was trialled. The pilot led to a reduction in overheads, by reducing the size of the central administration team and savings made on travel time. There was also a slight reduction in absence rates. Perhaps most importantly, feedback suggested that quality of care had improved as a result of the new approach. However, the pilot found that local authority commissioning processes (and the national funding approach) drive volatile working hours and this undermined the potential to increase flexibility for staff.⁹

1. UKG (2018). The Real Impact of Absenteeism on Retail Store Operations and Employee Engagement.

2. ONS (2021). Sickness Absence in the UK labour market.

3. Timewise (2018). Modern Retail: A Nation of Part-Time Shopkeepers?

4. Timewise (2017). Moving up in retail: An employer's guide to enabling talent progression through flexible working.

5. Joseph Rowntree Foundation (2014). Improving Progression in Low-Paid, Lowskilled Retail, Catering and Care Jobs.

6. Skills for Care (2020). The state of the adult social care sector and workforce in England.

7. Timewise (2018). Caring by Design.

8. Ibid

9. Timewise (2021). Timewise Innovation Unit: Interim Evaluation (an unpublished report – information is available from Timewise if required).

Research into the determinants of staff turnover and vacancies in the social care sector in England by PSSRU found that turnover and vacancy rates are related to factors that are out of the control of social care employers, such as the local labour market (i.e. unemployment rates), the type of service provided (i.e. domiciliary care), or higher job mobility among younger employees.¹ However, they also indicate that employment related aspects may be used to improve recruitment and retention, for example employing staff on contracts with guaranteed hours, instead of zero-hours contracts, and promoting a healthy and safe work environment.

Teaching

The education sector is well known for struggling to recruit teaching staff. While term-time working appeals to many, the reality of undefined working hours outside of the school day makes it hard to achieve a good work-life balance and results in a low rate of 'real' pay. Both factors are significant barriers to recruitment and retention of staff.

While senior leaders in education are willing to accommodate flexible working requests, where they perceive them to be possible, teaching staff are often excluded from such opportunities on the grounds of pupils' complex needs (that, for example, require a continuity of teaching).²

Timewise found that around one in six secondary teachers work part-time³, this is lower than the one in four who work part-time in the wider labour market.⁴ As well as cultural and attitudinal barriers, there were real administrative burdens around job design and building timetables that adapt to flexible working arrangements. Job shares are recognised as one approach to providing flexible working opportunities. However, there are increased costs associated with employing two members of staff, compared to

one. This may include staff training, equipment and handover time.

Despite this, reported benefits of increased flexible working in the sector are significant. These include improved recruitment and retention, reduced sickness and absence rates, increased sharing of practice and better management of succession planning. Another, unintended, consequence was the development of strategic capacity at leadership level.

2.1.3 The Covid-19 pandemic

It is worth noting that the literature review largely relates to the decade prior to the recent Covid-19 pandemic. The impact of the pandemic on flexible working arrangements has been significant. Although the media's focus has been on the increase in home-working that was prompted by the lockdowns, there have also been notable shifts in attitudes towards wider flexible working practices, influenced by the need to respond to the crisis.

Timewise's interim review of their sector pilots reported that retail, construction, the NHS and social care sectors have all experienced change as a result of the crisis. While this has demonstrated an ability, (in these sectors) to work differently in response to shifting needs, it has also moved the focus away from longer-term planning and the broader benefits of flexible working.⁵

1. PSSRU (2020). Determinants of staff turnover and vacancies in the social care sector in England.

2. Department for Education (2020). Exploring flexible working practice in schools. CooperGibson Research.

3. Timewise (2019). Building Flexibility into Secondary Schools. How to create part-time and flexible roles that work for teachers and schools.

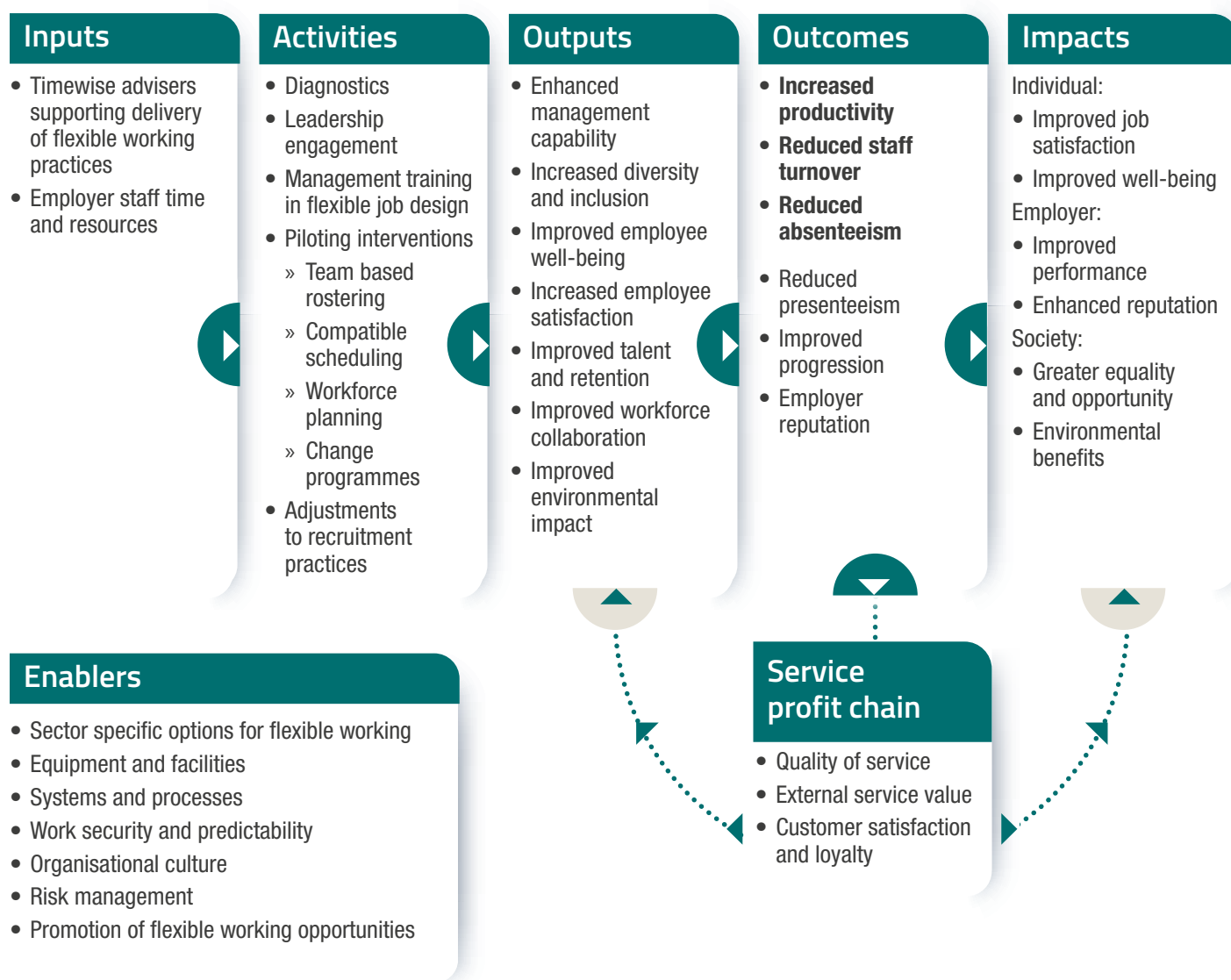
4. ONS (2021) Labour Force Survey: June to August 2021

5. Timewise (2021). Timewise Innovation Unit: Interim Evaluation (an unpublished report – information is available from Timewise if required).

2.2 Flexible working logic model

A logic model was developed that describes the links between flexible working initiatives and wider benefits. This model draws from several pre-existing models (and the Timewise approach and evidence base) to detail the inputs, outputs and long-term impacts of flexible working. It also identifies enablers that can facilitate and amplify the impact of flexible working, as well as the relationship with the service profit chain

chain. The service profit chain theory advocates that motivated employees are more likely to provide good customer service, which leads to satisfied customers and ultimately greater profit.¹ This has previously been adapted for application outside of traditional customer service sectors (including the health sector²), and this is reflected in the flexible working logic model below.

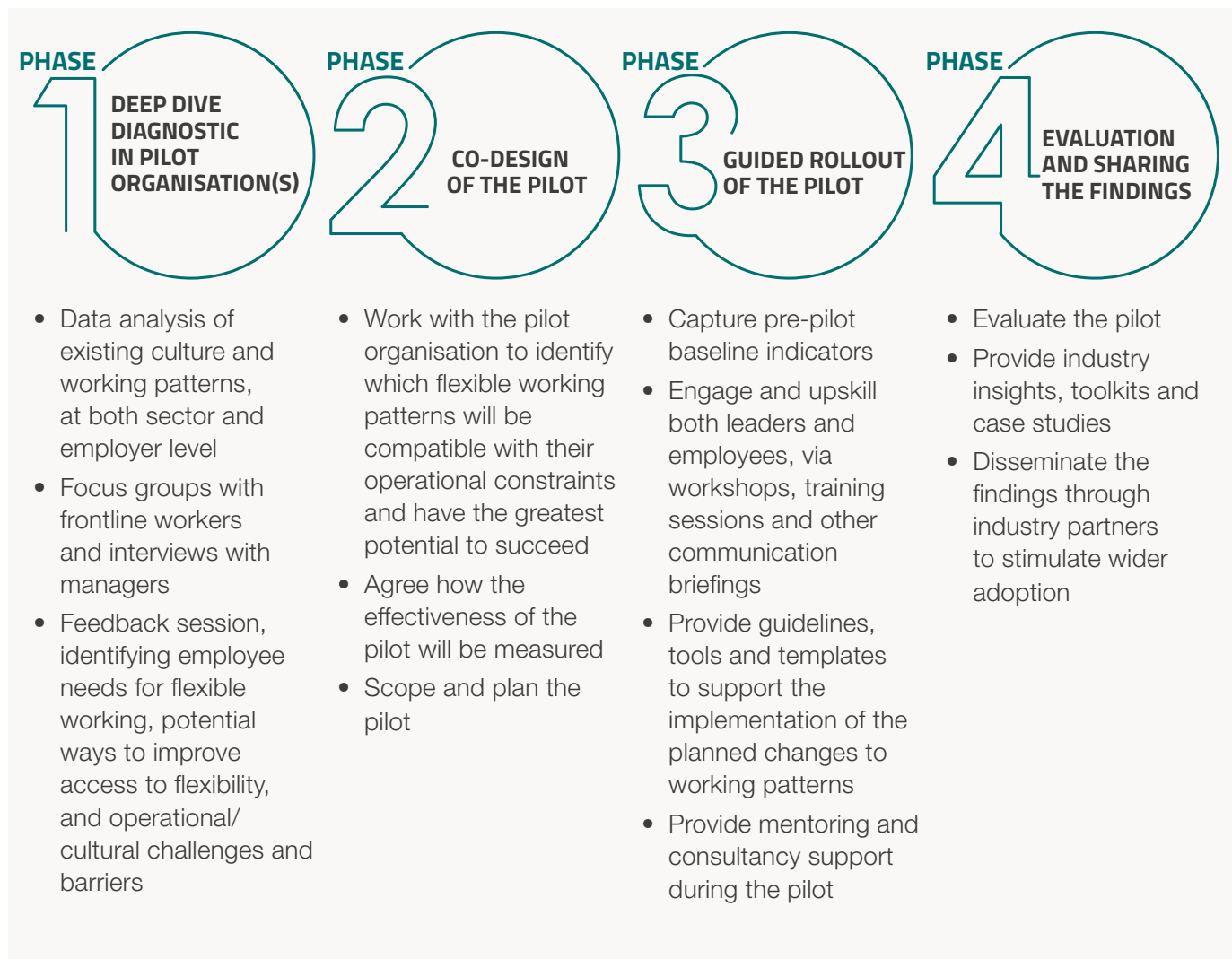


1. She, L.Y., Aibinu, A. and Johnson, L.W (2009). Cooperation in Project Alliancing: The Service Profit Chain Approach in Building Interorganisational Relationships.
2. Storey, J. and Holti, R. (2013). Towards a New Model of Leadership for the NHS.

2.3 Summary of input and activities in flexible working programmes

Timewise's Innovation Unit has developed a methodology for sector-based pilot programmes, following the four phases outlined below. Pilots are usually undertaken with an industry partner, including a blend of social funding and industry investment (subject to the sector), and involve several different employers.

The outcomes from the pilots in the five frontline sectors (retail, construction, adult domiciliary care, teaching and the NHS) were used as a basis for defining the potential financial savings that could be made through flexible working. The consultancy costs used in the economic analysis are based on the cost of delivering interventions along these lines.



3 Analysis of labour market data on flexible working in pilot sectors

Before considering the costs and potential benefits of the flexible working programmes, it's worth looking at some information from existing sources on the extent of flexible working practices in the pilot sectors, and also the association between job satisfaction and the degree of control workers have over their working hours.

The analysis in this chapter uses data from the Labour Force Survey and Understanding Society. In both datasets, employees in the pilot sectors have been defined on the basis of combinations of sectors (using the Standard Industrial Classification (SIC)) and occupation (using the Standard Occupational Classification (SOC)), as follows:

- Retail – sales assistants and retail cashiers (SOC 711) in the retail trade, except of motor vehicles and motorcycles sector (SIC 47).
- Nursing – nursing and midwifery professionals (SOC 223) in the human health activities sector (SIC 86).
- Social care – caring personal services workers (SOC 614) in the social work activities without accommodation sector (SIC 88).
- Construction – employees in the construction and building trades (SOC 531), building finishing trades (SOC 532), construction operatives (SOC 814) or elementary construction occupations (SOC 912) occupational groups, in the construction of buildings (SIC 41), civil engineering (SIC 42) or specialised construction activities (SIC 43) sectors.

Teaching – teaching and educational professionals (SOC 231) in the education sector (SIC 85).

3.1 Prevalence of flexible working among employees in the pilot sectors

The Labour Force Survey (LFS) is a quarterly household survey which asks a range of questions about individuals' employment situations, including sector, occupation and working patterns.

In particular, it asks individuals in employment if they have any flexible working arrangements from a list of eight possible arrangements, including flexi-time, annualised hours, term-time working and zero hours contracts. Data from Understanding Society suggests that workers on flexi-time report a greater degree of control over their working hours than those not on flexi-time, while those on zero-hours contracts report less control; thus flexi-time may generally be a positive form of flexible working for employees, while zero-hours contracts are a negative form. The following section explores the links between control over working hours and job satisfaction and leaving intentions, but the points below first look at the prevalence of these practices in the pilot sectors, and not whether employees with these arrangements report greater degrees of autonomy and control.

Table 3.1 shows the prevalence of these two types of flexible working patterns among employees in the pilot sectors. Key points to note are:

- Teachers are least likely to report having flexi-time among employees in the pilot sectors (term-time work is the most common form of flexible working arrangement for teachers) although relatively few are on zero-hours contracts.
- Employees in social care are most likely to be on flexi-time arrangements (9%), but are also most likely to be on zero-hours contracts (6%).
- Nursing also has a relatively high proportion of flexi-time (7% of all nurses and 36% of those with flexible arrangements), and the lowest proportion of zero-hours contracts (2%).

- In retail, one in twenty shop floor sales staff (5%) are on flexi-time (and four per cent are on zero hours contracts).
- Flexi-time is relatively uncommon in the construction sector, with three per cent of all employees having this arrangement, but zero-hours contracts are also relatively uncommon (2.1%) .

TABLE 3.1 PREVALENCE OF FLEXIBLE WORKING ARRANGEMENTS AMONG EMPLOYEES IN PILOT SECTORS, 2021

	Retail	Nursing	Social care	Construction	Teaching
Flexi-time	5.2	6.8	9.0	3.0	2.9
Zero hours contract	3.9	1.7	6.1	2.1	2.0
Total	970,500	462,200	140,300	306,300	1,316,400

Source: Labour Force Survey April-June 2021

3.2 Association between control over working hours and job satisfaction

Understanding Society is a longitudinal household survey tracking the same households over time. It asks a range of questions about working conditions, including:

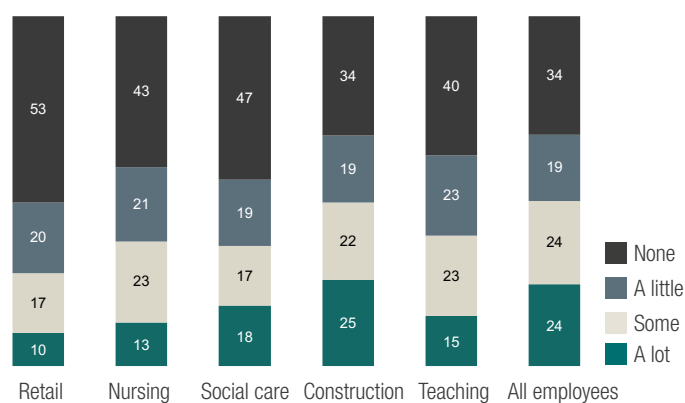
- In your current job, how much influence do you have over the time you start or finish your working day?

Across all employees, around one in four (24%) say they have a lot of influence over their working hours, a similar proportion say they have some influence, one in five (19%) say they have a little influence, and one in three (34%) say they have no influence at all.

Figure 3.1 shows how responses vary across the five pilot sectors. Around half of employees in retail and social care report that they have no influence over their start and finish times, as do around 40 per cent of employees in nursing and teaching. It is only in construction where employees report similar degrees of influence as employees overall in the workforce. Thus on the basis of these results, the pilots are well targeted at sectors where workers tend to have a low level of autonomy and control over their working hours.

FIGURE 3.1 INFLUENCE ON START/FINISH TIMES OF WORKING DAY, BY SECTOR, 2020

% of employees reporting each level of influence over working hours



Source: Understanding Society, Wave 10

Understanding Society also asks respondents in work to indicate how satisfied they are in their job, using the following question:

- On a scale of 1 to 7 where 1 means ‘Completely dissatisfied’ and 7 means ‘Completely satisfied’, how dissatisfied or satisfied are you with your present job overall?

The following figures indicate the relationship between the degree of control employees have over their start and finish times and their job satisfaction. The ‘dissatisfied’ categories have been combined as relatively few employees report dissatisfaction with their jobs.

Across all pilot sectors, job satisfaction increases as the degree of control over working hours increases. In particular:

- In retail (Figure 3.2) only 12% of employees with no control over their working hours report that they are completely satisfied in their jobs, compared with 45% of those with a lot of control over their working hours.
- In nursing (Figure 3.3), only 8% of employees with no control, or a little control, over working hours were completely satisfied, compared with 25% of those with lots of control.

FIGURE 3.2 CONTROL OVER WORKING HOURS AND JOB SATISFACTION, RETAIL SECTOR, 2020

% reporting each level of job satisfaction

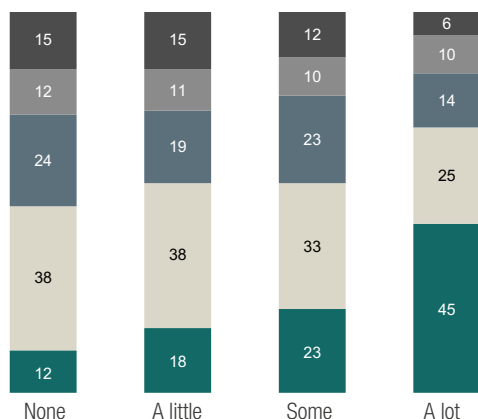


FIGURE 3.4 CONTROL OVER WORKING HOURS AND JOB SATISFACTION, SOCIAL CARE SECTOR, 2020

% reporting each level of job satisfaction

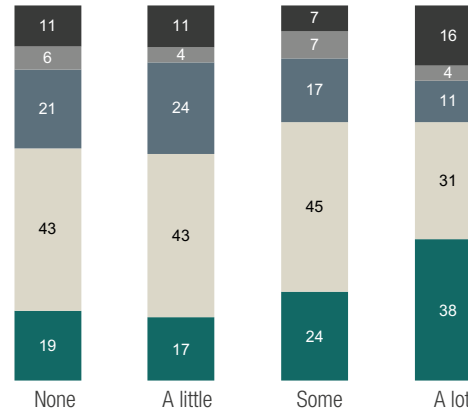


FIGURE 3.3 CONTROL OVER WORKING HOURS AND JOB SATISFACTION, NURSING SECTOR, 2020

% reporting each level of job satisfaction

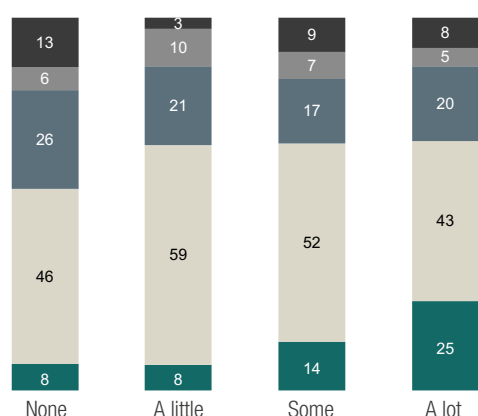
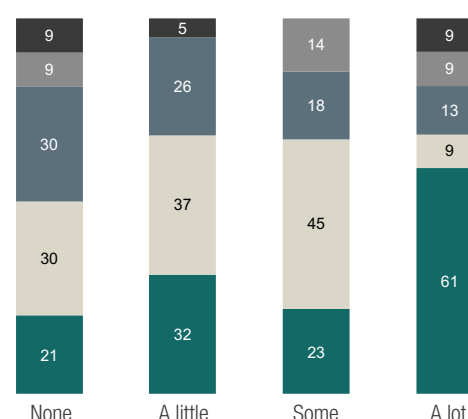


FIGURE 3.5 CONTROL OVER WORKING HOURS AND JOB SATISFACTION, CONSTRUCTION SECTOR, 2020

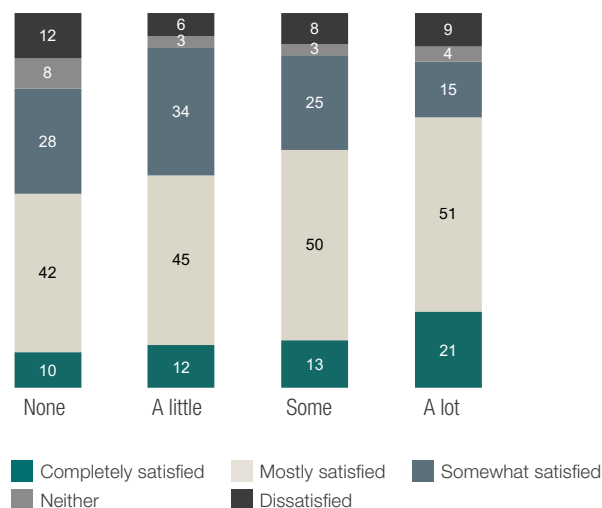
% reporting each level of job satisfaction



- Fewer than one in five employees in social care who report having no control, or only a little control, over their working hours were completely satisfied in their jobs, while twice as many employees with a lot of control (38%) were completely satisfied (Figure 3.4).
- Three fifths of construction employees who reported a lot of control over their working hours were completely satisfied with their jobs, compared with one fifth of those who had no control over their working hours (Figure 3.5).
- In teaching (Figure 3.6) only one in ten employees with no control over their working hours were completely satisfied with their jobs, compared with 21% of employees who had a lot of control over their working hours, and the proportion reporting that they were mostly satisfied with their jobs also increased with the degree of control over working hours.

FIGURE 3.6 CONTROL OVER WORKING HOURS AND JOB SATISFACTION, TEACHING SECTOR, 2020

% reporting each level of job satisfaction



Source: Understanding Society, Wave 10

These analyses have shown a clear relationship between employees' degree of control over their working hours, in terms of the times they start and finish their working days, and their job satisfaction. Understanding Society also explores the link between job satisfaction and leaving intentions, asking employees the following question about future intentions:

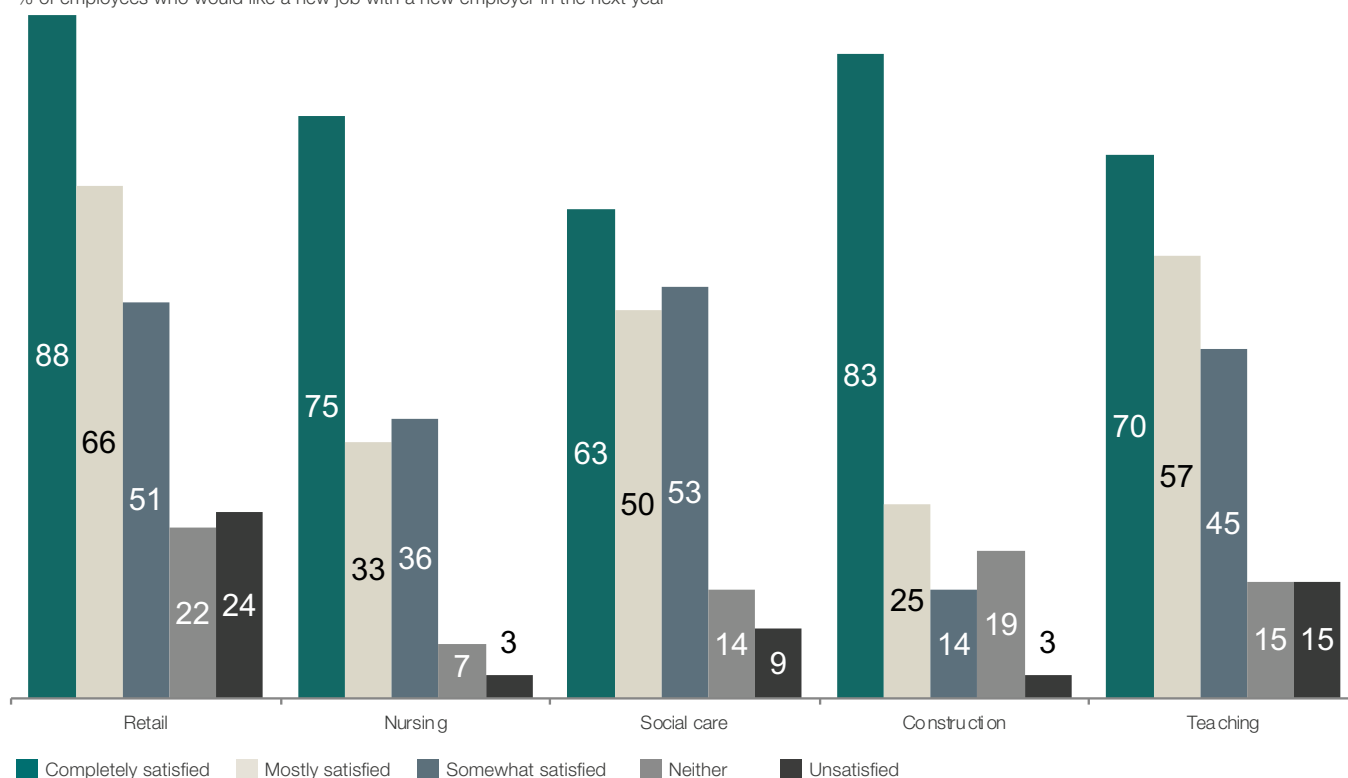
- I am going to read out a list of things which you may or may not want to happen to your current employment situation. For each one can you please tell me whether you would like this to happen to you in the next twelve months.
- Would you like to start a new job with a new employer?

Figure 3.7 shows how the proportion of employees who would like to start a new job with a new employer varies with their reported levels of job satisfaction, within each of the five pilot sectors. In all sectors there is a very strong pattern of decreasing levels of leaving intentions as job satisfaction increases. A majority of employees in each pilot sector who report that they are dissatisfied with their job say that they would like a new job with a new employer, while this falls to a small minority of those who say they are completely satisfied with their jobs.

These analyses from Understanding Society demonstrate, for the pilot sectors, a link between control and autonomy over working hours and job satisfaction, and between job satisfaction and leaving intentions, which support these key steps in the logic model.

FIGURE 3.7 RELATIONSHIP BETWEEN JOB SATISFACTION AND LEAVING INTENTIONS, PILOT SECTORS, 2020

% of employees who would like a new job with a new employer in the next year



Source: Understanding Society, Wave 10

4 Economic analysis of the costs and benefits of flexible working programmes

4.1 Approach to economic analysis

Ideally, to demonstrate the attractiveness of implementing flexible working programmes, a cost-benefit analysis would be undertaken. The result of this would be for every £1 spent you receive £X in benefit. As it is difficult to quantify many of the benefits of the flexible working programmes, due to lack of available data on identified outcomes in the logic model (eg productivity) and the time lag in being able to measure the outcomes (sickness and turnover), a 'break-even' analysis has been undertaken. This demonstrates the point where the quantifiable benefits equal the costs of the pilot.

The logic model (Figure 2.1) identified reduced sickness absence, reduced staff turnover, and increased productivity as outcomes of a flexible working programme. However, data on productivity are difficult to estimate, therefore the break-even analysis has focused on the first two benefits only.

There are two elements of cost included in the economic analysis. Firstly, there are estimated costs to employers of engaging Timewise consultants to develop a bespoke flexible working programme. Secondly the participating employers also invested staff time of their own employees, who work at different levels, for the pilot activities. Benefits in terms of reduced sickness and reduced staff turnover are sector specific.

4.2 Calculation of metrics for costs and benefits

This section sets out the calculations and assumptions used in estimating the costs of the flexible working pilots in the five sectors.

4.2.1 Costs of Timewise consultants for pilot activities

In calculating the illustrative costs to employers of engaging Timewise consultants to develop a bespoke flexible working programme, the first step was to derive day rates for consultants at two levels – junior consultant: responsible for direct delivery of coaching, training and bespoke consultancy support to teams of managers and workers across pilots; and senior consultant: responsible for pilot oversight to include design of interventions, key stakeholder management and evaluation and dissemination of pilot findings.

To ensure transparency and for analysis to be replicable, information on consultants' salaries across the management consultancy industry as a whole was taken from the Salary Benchmarking Report 2017 produced by Top Consultancy³⁹. This gives the starting point of the total salary (including bonuses) for consultants at the two levels. The data are for 2017, but the report shows that the trends over the previous few years had been broadly flat; therefore no adjustment has been made to increase salaries over time.

The day rates of consultant salaries have been calculated by adapting the approach in the 'Guide to consultancy pricing', produced in 2008 by the Office of Government Commerce⁴⁰.

39. http://www.top-consultant.com/top-consultant_2017_salary_report.pdf

40. <https://www.iod.com/Portals/0/Badges/PDFs/Factsheets/Related%20docs/OGC%20Guide-to-consultancy-pricing-2008.pdf?ver=2017-04-24-133854-973>

Table 4.1 presents the calculations for the two levels of junior and senior consultant. The table goes through the following steps to calculate consultant day rates:

- The annual salary is divided by the number of working days per year (225, assuming 9 bank holidays and 26 days' annual leave), to calculate the salary per working day;
- Utilisation rates are estimated for the different grades, showing the amount of time spent on paid work as opposed to time spent on matters such as training, sickness or internal projects;
- Dividing the salary per working day by the utilisation rate gives the assumed daily cost – the amount needed to be earned to cover the salary of the consultant across the year given the amount of fee earning days;
- A margin factor is calculated to cover the non-salary costs of staff (National Insurance, pension contributions etc.), the indirect overheads (rent and bills, support staff, training etc.), and profit. The margin factor varies by consultant level, with higher margins for more junior staff, and the estimates were sense-checked against some real world examples;
- The assumed daily cost multiplied by the margin factor gives the day rate for the level of consultant.

TABLE 4.1 CALCULATION OF CONSULTANCY DAY RATES

	Junior Consultant	Senior Consultant
Salary	£46,000	£71,000
Salary per working day (225 days)	£204	£316
Utilisation	90%	80%
Fee earning days	202.5	180
Assumed daily cost	£227	£395
Margin factor	4.25	3.75
Day rate	£965	£1,480

Source: IES calculations from Top Consultancy Salary Benchmarking Report 2017

Timewise provided details of the number of days spent by consultants at the two levels on the pilot activities with the employers in the five sectors. The Timewise cost has been calculated by multiplying the days for junior and senior consultants by the day rates.

4.2.2 Costs to employers of pilot activities

In addition to the costs of engaging the Timewise consultant, the participating employers invested staff time of their own employees for the pilot activities. Data on the number of days of employers' staff time, by staff level, were collected by Timewise for the various pilot projects. The cost to the employer was calculated by multiplying the number of days by the daily salary cost of the staff members, taken from the Annual Survey of Hours and Earnings (ASHE).

4.2.3 Benefits in terms of reduced sickness and reduced staff turnover

For the benefits side of the calculation, sector-specific estimates of the amount and cost of sickness absence and staff turnover have been obtained from the literature.

However, for one metric – the direct cost of replacing staff in construction – it has not been possible to obtain an estimate from the literature, and so an assumed amount, within the range of costs for the other sectors, has been applied.

While the costs of the programme accrue in a single year, the benefits should be enduring, and so the employer will receive the benefit in future years. Therefore rather than trying to balance the costs in a single year, the analysis has looked over a three-year time period to balance the costs, as this is a reasonable time period over which employers would make investment decisions and be looking for returns on investment.

4.3 Retail

Table 4.2 shows the estimated cost of implementing the pilot in retail for 200 employees (this could either be within one organisation or for one store within a large retailer). The cost estimates are broken down by the cost of implementation support provided by Timewise and cost to the employer in terms of staff time. In total implementing the pilot required 31.5 days of Timewise support and 42 days of retail staff time. The retail employer time is split between retail managers and human resources; and with store supervisors. The total estimated cost of implementing the pilot in a retail organisation was £41,303.

The average number of sick days in retail is sourced from Labour Force Survey (LFS) estimates of the number of sick days in Sales and Customer Service Occupations, and is 5.1 days annually. Taking the weekly salaries from the Annual Survey of Hours and Earnings (ASHE) of those in frontline roles impacted by the pilot (sales supervisors; and sales assistants and retail cashiers), the annual cost of sickness absence in a retail organisation of 200 staff is estimated as £83,972.

The retention rate in retail⁴¹, obtained from Annual Population Survey estimates, is one of the lowest of all sectors at 60%. Consequently, in an organisation of 200 staff it is estimated there will be 80 leavers within a year. Given the logistical cost of finding and absorbing a new worker of nearly £4,000 per worker⁴², this results in a high cost of staff turnover in retail of over £300k per year.

TABLE 4.2 COST OF THE PILOT - RETAIL

	Staff	Days	Day rate	Total cost
Timewise	Senior	11.5	£1,480	£17,020
	Junior	20	£965	£19,309
	Total			£36,329
Employer	Manager/HR	24	£136	£3,257
	Store supervisor	18	£96	£1,728
	Total			£4,984
Total				£41,313

Source: IES calculations using Timewise pilot data, the Top Consultancy Salary Benchmarking Report 2017 and ASHE 2020 (ONS)

41. G Wholesale, retail, repair of vehicles

42. Estimate of the logistical cost of finding and absorbing a new worker (retail- ft £25k+) obtained from: The cost of brain drain. Oxford Economics and Unum (2014).

TABLE 4.3 COST OF SICKNESS ABSENCE - RETAIL

	Number	Weekly £	Daily £	Sick days	Sickness cost
Sales supervisors	18	£480	£95.98	5.1	£8,900
Sales assistants and retail cashiers	182	£405	£80.96	5.1	£75,072
Total					£83,972

Source: IES calculations using ASHE 2020 (ONS) and the Labour Force Survey 2019 (ONS)

TABLE 4.4 COST OF STAFF TURNOVER - RETAIL

Staff number	Retention rate	Leavers	Cost	Total cost
200	60%	80	£3,784	£302,720

Source: IES calculations using APS 2019 (ONS) and 'The cost of brain drain': Oxford Economics and Unum 2014

TABLE 4.5 BREAK-EVEN ANALYSIS SUMMARY - RETAIL

Element	Value
Cost of pilot	£41,303
Cost of sickness absence	£83,972
Reduction in sickness required to balance costs	49%
Reduction in sickness absence per year (over 3 years)	16%
Fewer sick days per year (over 3 years)	0.8
Cost of staff turnover	£302,720
Reduction in turnover required to balance costs	14%
Reduction in turnover per year (over 3 years)	5%
Fewer leavers per year (over 3 years)	4.0

Source: IES calculations based on Tables 4.2 to 4.4

Assuming the pilot only impacted reducing sickness absence, if the benefits were received in a year, it would require a reduction of sickness absence by 49% that year. Assuming the benefits spread over 3 years, the reduction in sickness absence would only need to be 16% per year. This equates to a reduction of 0.8 sick days per person per year. As the cost of staff turnover in retail is high, it requires a reduction in turnover of just 5% per year over 3 years (equating to four workers per year in an organisation of 200 staff) to balance programme costs. It is possible the benefits could be realised in a year, as a reduction in staff turnover of just 14% (11 staff) is required.

4.4 Social care (domiciliary)

Table 4.6 shows the estimated cost of implementing the flexible working pilot in domiciliary social care, broken down by the cost of implementation support provided by Timewise and cost to the employer in terms of staff time. The vast majority of cost of the pilot was Timewise support time which totalled 44.3 days. The employer time was split between managers and supervisors in domiciliary care organisations totalling 21 days. The total estimated cost of implementing the pilot in adult domiciliary care was £51,976.

The estimated average number of sick days in adult domiciliary care, obtained from Skills for Care, is 4.1 days annually, although it should be noted that half (48%) of the domiciliary care workforce have zero-hour contracts⁴³. Using the same source for salaries, for senior and non-senior frontline roles impacted by the pilot, the annual cost of sickness absence in a large domiciliary care organisation of 200 staff is estimated as £59,052.

As with retail, and many other low-paid sectors, staff retention is low. In domiciliary care the retention rate is 65% with a cost of replacing staff estimated by Skills for Care as £3,642 per leaver.⁴⁴ As a result the cost of staff turnover in a domiciliary care organisation of 200 is estimated to be over £250k.

Table 4.9 shows the break-even analysis summary for the adult domiciliary care sector. Realising the benefits of the flexible working programme through reduced sickness absence only would require a reduction in sickness absence of 29% per year to balance costs over 3 years. This is just 1.2 fewer sick days per frontline domiciliary care worker. However, as mentioned previously, the number of sick days is likely to be higher due to the prevalent use of zero-hour contracts in the domiciliary care sector. As with the retail pilot, the reduction in turnover needed per year to balance costs (over 3 years) is low at 7%. Therefore, for an organisation of 200 staff, it would only require five fewer leavers per year in order for the pilot to break-even.

43. Skills for Care (2020). The state of the adult social care sector and workforce in England.

44. Skills for Care (Unknown). Calculating the cost of recruitment template.

TABLE 4.6 COST OF THE PILOT – SOCIAL CARE

	Staff	Days	Day rate	Total cost
Timewise	Senior	13.3	£1,479	£19,599
	Junior	31.0	£965	£29,928
	Total			£49,527
Employer	Manager	9	£146	£1,317
	Supervisor	12	£94	£1,132
	Total			£2,449
Total				£51,976

Source: IES calculations using Timewise pilot data, the Top Consultancy Salary Benchmarking Report 2017 and Skills for Care 'The state of the adult social care sector and workforce in England 2020'

TABLE 4.7 COST OF SICKNESS ABSENCE – SOCIAL CARE

	Number	Weekly £	Daily £	Sick days	Sickness cost
Senior domiciliary care workers	18	£385	£76.96	4.1	£5,737
Care workers	182	£358	£71.52	4.1	£53,315
Total					£59,052

Source: IES calculations using 'The state of the adult social care sector and workforce in England 2020'

TABLE 4.8 COST OF STAFF TURNOVER – SOCIAL CARE

Staff number	Retention rate	Leavers	Cost	Total cost
200	65%	70	£3,642	£254,940

Source: IES calculations using Skills for Care adult social care workforce estimates 2019/20 and 'Calculating the cost of recruitment template'

TABLE 4.9 BREAK-EVEN ANALYSIS SUMMARY – SOCIAL CARE

Element	Value
Cost of pilot	£51,976
Cost of sickness absence	£59,052
Reduction in sickness required to balance costs	88%
Reduction in sickness absence per year (over 3 years)	29%
Fewer sick days per year (over 3 years)	1.2
Cost of staff turnover	£254,940
Reduction in turnover required to balance costs	20%
Reduction in turnover per year (over 3 years)	7%
Fewer leavers per year (over 3 years)	5

Source: IES calculations based on Tables 4.6 to 4.8

4.5 Construction

Table 4.10 shows the cost of implementing the flexible working pilot in the construction sector. Compared to retail and domiciliary care above, the construction pilot required more input from the junior staff member in Timewise resulting in a total cost of £56,097. The employer in construction required input from those in charge of HR and diversity and inclusion, as well as managers and those in charge of operation, totalling 40 days. The total estimated cost of implementing the flexible working pilot in the construction firm was £64,548.

Table 4.11 shows the cost of sickness absence in a firm of 200 frontline construction staff. Sickness absence is higher in construction (value obtained for Construction News) than any other sector the pilot was implemented in. On average construction staff take 8.4 days of sickness absence a year. As a result, the estimated cost of sickness absence in a construction firm of 200 frontline staff is estimated at over £175k per year.

Estimates from the APS for the employer retention rate in construction is 66%, meaning that in an organisation of 200 frontline staff an average of 68 would leave every year.

Table 4.13 shows the break-even summary for implementing the flexible working pilot in a construction organisation of 200 staff. Due to the high cost of sickness absence in construction it would only require a reduction of 1 sick day per person per year (over 3 years) for the pilot to break-even. Likewise the reduction in turnover for the programme to be cost effective is low, at just 11% per year, equating to 7.2 fewer leavers per year over three years.

TABLE 4.10 COST OF THE PILOT - CONSTRUCTION

	Staff	Days	Day rate	Total cost
Timewise	Senior	10	£1,458	£14,583
	Junior	43	£965	£41,514
	Total			£56,097
Employer	Client HR/D&I	16	£204	£3,271
	Client ops/mgr	24	£216	£5,180
	Total			£8,451
Total				£64,548

Source: IES calculations using Timewise pilot data, the Top Consultancy Salary Benchmarking Report 2017 and the Annual Survey of Hours and Earnings 2020 (ONS)

TABLE 4.11 COST OF SICKNESS ABSENCE - CONSTRUCTION

	Number	Weekly £	Daily £	Sick days	Sickness cost
Site supervisors/foremen	18	£702	£140.44	8.4	£21,449
Operatives	182	£510	£102.02	8.4	£155,812
Total					£177,261

Source: IES calculations using the Annual Survey of Hours and Earnings 2020 (ONS), Construction News 2020 and BAM Health and safety standards for subcontractors 2021

TABLE 4.12 COST OF STAFF TURNOVER - CONSTRUCTION

Staff number	Retention rate	Leavers	Cost	Total cost
200	66%	68	£3,000	£204,000

Source: IES calculations using the Annual Population Survey 2019 (ONS)

TABLE 4.13 BREAK-EVEN ANALYSIS SUMMARY - CONSTRUCTION

Element	Value
Cost of pilot	£64,548
Cost of sickness absence	£177,261
Reduction in sickness required to balance costs	36%
Reduction in sickness absence per year (over 3 years)	12%
Fewer sick days per year (over 3 years)	1.0
Cost of staff turnover	£204,000
Reduction in turnover required to balance costs	32%
Reduction in turnover per year (over 3 years)	11%
Fewer leavers per year (over 3 years)	7.2

Source: IES calculations based on Table 4.10 to 4.12

4.6 Teaching

Table 4.14 shows the cost of implementing the flexible working pilot in Multi Academy Trusts (MATs), whether in primary or secondary schools. The pilot in this sector was light touch, as Timewise worked with the HR teams within MATs, supporting them to implement actions across several schools (rather than delivering on the ground in the schools themselves). The pilot required just 11.3 days of Timewise consultant time per academy trust at a cost of £12,092. The overall cost of the pilot (£16,733 per academy trust) was therefore notably lower than in any other pilot sector. Trusts required an estimated 22 days of staff time across HR and teachers.

The costs of sickness absence vary between primary and secondary schools (even if they have the same number of staff) for two reasons. The average salary of primary school teachers is lower than those of secondary teachers, and the composition of staff within the two levels of education differ, with more teaching assistants required at primary level. The Annual Survey of Hours and Earnings 2020 shows that the average weekly salary for Secondary education teaching professionals is £796 and for Primary and nursery education teaching professionals is £724. The assumption of the composition of the workforce in schools is based on analysis of full-time equivalents (FTEs) in DfE school benchmarking data. Within secondary MATs in England with 100 staff (eg having 2 or 3 schools), 71% are teachers, 20% are teaching assistants and 9% are part of the senior leadership team. For primary MATs with 100 staff (eg having 6-8 schools), it is again assumed that the senior leadership team make up 9% of the workforce, but the numbers of teachers and teaching assistants are equal, as these normally work in the same ratio (FTE). For the two reasons just mentioned this results in a lower cost of sickness absence in primary MATs of £49,581. The higher ratio of teacher to teaching assistants in secondary MATs leads to a higher cost of sickness absence of over £60k per year.

Retention rates are higher in teaching than sectors previously mentioned, however the cost of replacement for teaching staff is higher at £4,600, as estimated by PWC.

The results of the break-even analysis of the implementation of the flexible working pilot are very similar between primary and secondary settings (as show in Table 4.18 and Table 4.19). While primary MATs require a slightly higher percentage reduction in sickness absence in order for the pilot to break even, as the costs of the pilot (and costs of sickness absence) are low, both primary and secondary MATs with 100 staff would require on average one fewer sick day per staff member per year in order to break even (over three years). As the costs of turnover in the analyses are assumed identical in primary and secondary settings, both levels of education would require just one fewer leaver per year (over three years) in order for the pilot to break even.

TABLE 4.14 COST OF PILOT (PRIMARY OR SECONDARY) - TEACHING

	Staff	Days	Day rate	Total cost
Timewise	Senior	2.3	£1,458	£3,403
	Junior	9.0	£965	£8,689
	Total			£12,092
Employer	HR Director	6.2	£204	£1,261
	HR Business Partner	11.5	£204	£2,351
	Headteacher	4.5	£229	£1,029
	Total			£4,642
Total				£16,733

Source: IES calculations using Timewise pilot data, the Top Consultancy Salary Benchmarking Report 2017 and the Annual Survey of Hours and Earnings 2020 (ONS)

TABLE 4.15 COST OF SICKNESS ABSENCE (PRIMARY)

	Number	Weekly £	Daily £	Sick days	Sickness cost
Senior leadership	9	£1,144	£228.76	4.1	£8,441
Teachers	46	£724	£144.78	4.1	£27,306
Teaching assistants	45	£375	£74.98	4.1	£13,834
Total					£49,581

Source: IES calculations using the Annual Survey of Hours and Earnings 2020 (ONS), HM Government School workforce in England 2019 and DfE School benchmarking data 2020

TABLE 4.16 COST OF SICKNESS ABSENCE (SECONDARY)

	Number	Weekly £	Daily £	Sick days	Sickness cost
Senior leadership	9	£1,144	£228.76	4.1	£8,441
Teachers	71	£796	£159.22	4.1	£46,349
Teaching assistants	20	£375	£74.98	4.1	£6,148
Total					£60,939

Source: IES calculations using the Annual Survey of Hours and Earnings 2020 (ONS), HM Government School workforce in England 2019 and DfE School benchmarking data 2020

TABLE 4.17 COST OF STAFF TURNOVER

Staff number	Retention rate	Leavers	Cost	Total cost
100	86%	36	£4,600	£165,600

Source: IES calculations using Annual Population Survey 2019 (ONS) and 'Teacher recruitment education insight' PWC 2016

TABLE 4.18 BREAK-EVEN ANALYSIS SUMMARY (PRIMARY) – MAT WITH 100 TEACHING STAFF

Element	Value
Cost of pilot	£16,733
Cost of sickness absence	£49,581
Reduction in sickness required to balance costs	34%
Reduction in sickness absence per year (over 3 years)	11%
Fewer sick days per year (over 3 years)	0.4
Cost of staff turnover	£165,600
Reduction in turnover required to balance costs	10%
Reduction in turnover per year (over 3 years)	3.3%
Fewer leavers per year (over 3 years)	1.2

Source: IES calculations based on Tables 4.14 to 4.17

TABLE 4.19 BREAK-EVEN ANALYSIS SUMMARY (SECONDARY) – MAT WITH 100 TEACHING STAFF

Element	Value
Cost of pilot	£16,733
Cost of sickness absence	£60,939
Reduction in sickness required to balance costs	27%
Reduction in sickness absence per year (over 3 years)	9%
Fewer sick days per year (over 3 years)	0.4
Cost of staff turnover	£165,600
Reduction in turnover required to balance costs	10%
Reduction in turnover per year (over 3 years)	3.3%
Fewer leavers per year (over 3 years)	1.2

Source: IES calculations based on Tables 4.14 to 4.17

4.7 Nursing

The team-based rostering pilot in nursing makes it notably different from the other sectors. Timewise pilot activities were run in a few wards within hospitals; however it is likely there is diffusion of knowledge among those implementing flexible working in hospitals so, although the costs may appear high comparative to other sectors, implementing within NHS hospitals is likely to have economies of scale as it is introduced across whole hospitals and trusts. To demonstrate this more clearly results are presented across a variety of scenarios for nursing.

Firstly, there are several assumptions used in the nursing break-even calculations which are derived from a variety of sources. To derive the cost of replacing a nurse, National Audit Office data has been used to create a composite cost of £3,250, including a mix of return to practice and recruitment of overseas nurses.⁴⁵ The ratio of nurses to senior nurses (1:3.9) was derived from calculations using the NHS Hospital & Community Health Service (HCHS) workforce statistics from March 2021 available via NHS Digital. When calculating the cost of replacing staff on sickness absence in nursing, an uplift of 12% has been applied, to cater for the cost of annual leave included in the pay for bank staff. This is sourced from a variety of NHS trust websites.

⁴⁵. National Audit Office, Managing the supply of NHS clinical staff in England. Assumes that 75% of nurses are return to practice nurses recruited at a cost of £2,000; and that 25% of nurses are recruited from overseas at an average cost of £7,000.

The first scenario involves introducing the team-based rostering pilot to two wards containing 64 nurses in total. This is based on information of the pilot activities provided by Timewise. This included 61.3 days of support from Timewise and 56 days of involvement from the staff within the wards with a total cost of £83,138. The cost of daily sickness absence is high as nurses tend to work shift patterns and often 12+ hour days leading to a higher daily cost than other sectors. A seven-day working fortnight has been assumed (dividing weekly salaries by 3.5 to obtain a daily rate). Due to the nature of their work as well as other factors, the level of sick days is also high in comparison to other sectors. These factors, as well as including an inflator to take account of bank staff replacement costs, lead to an annual cost of sickness absence for two wards containing 64 nurses of £109,975.

The retention rate in nursing is also high (both derived using NHS digital data), leading to very few nurses leaving their current employer. As a result, the cost of staff turnover in nursing, especially for wards containing 64 nurses is just over £30k.

The results show that when balancing costs over three years, the reduction in sickness absence needs to be 25%. This equates to 1.7 fewer sick days, taking the total number of average sick days to 5, closer to other pilot sectors.

As the cost of turnover is comparatively low, the reduction in turnover needed to balance costs over 3 years is still 84%, an unachievable level upon itself. However, combining this with the values for sickness absence, or increasing the number of staff involved in the pilot reduces this value (as presented in the next section).

TABLE 4.20 COST OF PILOT- NURSING (2 WARDS)

	Staff	Days	Day rate	Total cost
Timewise	Senior	20.5	£1,479	£30,323
	Junior	40.8	£965	£39,341
	Total			£69,664
Employer	Project lead	12.5	£304	£3,803
	Senior nurse	16.25	£244	£3,962
	Nurse	13.5	£208	£2,803
	E roster analyst	14	£208	£2,906
	Total			£13,473
Total				£83,138

Source: IES calculations using Timewise pilot data, the Top Consultancy Salary Benchmarking Report 2017 and the Annual Survey of Hours and Earnings 2020 (ONS)

TABLE 4.21 COST OF SICKNESS ABSENCE – NURSING (2 WARDS)

	Number	Weekly £	Daily £	Sick days	Sickness cost
Senior nurse	14	£853	£244	6.7	£22,834
Nurses	54	£727	£208	6.7	£75,252
Total					£98,086
Including bank staff inflator					£109,975

Source: IES calculations using the Annual Survey of Hours and Earnings 2020 (ONS), NHS Digital- NHS Hospital & Community Health Service (HCHS) workforce statistics (2021), NHS Digital Staff absence- Nurses, Health Visitors by care setting July 2018 to March 2019 AH2825 (2019) and various NHS trusts temporary staffing policies

TABLE 4.22 COST OF STAFF TURNOVER – NURSING (2 WARDS)

Staff number	Retention rate	Leavers	Cost	Total cost
68	85%	10	£3,250	£33,150

Source: IES calculations using NHS Digital NHS Hospital & Community Health Service (HCHS) workforce statistics 2020 and National Audit Office, Managing the supply of NHS clinical staff in England 2016

TABLE 4.23 BREAK-EVEN ANALYSIS SUMMARY (2 WARDS)

Element	Value
Cost of pilot	£83,138
Cost of sickness absence	£109,975
Reduction in sickness required to balance costs	76%
Reduction in sickness absence per year (over 3 years)	25%
Fewer sick days per year (over 3 years)	1.7
Cost of staff turnover	£33,150
Reduction in turnover required to balance costs	252%
Reduction in turnover per year (over 3 years)	84%
Fewer leavers per year (over 3 years)	9

Source: IES calculations based on Tables 4.20 to 4.22

The staff turnover figures become more plausible if the number of wards is increased to six (204 staff), with adjusted time spent on consulting by Timewise (e.g. not double counting activities such as training of ward managers, as this requires the same amount of Timewise consultant time regardless of the number of wards). Whilst the total cost increases to £136,579, the level of support required from Timewise increases at a smaller rate.

The total cost of turnover is understandably higher at almost £100k, however the reduction in turnover required to balance programme costs falls to 46% which equates to 14 fewer leavers per year out of a total of 204 staff.

TABLE 4.24 COST OF PILOT- NURSING (6 WARDS)

	Staff	Days	Day rate	Total cost
Timewise	Senior	28.5	£1,479	£42,156
	Junior	63.8	£965	£61,546
	Total			£103,703
Employer	Project lead	26.5	£304	£8,061
	Senior nurse	35.25	£279	£9,822
	Nurse	31.5	£244	£7,680
	E roster analyst	30	£244	£7,314
	Total			£32,877
	Total			£136,579

Source: IES calculations using Timewise pilot data, the Top Consultancy Salary Benchmarking Report 2017 and the Annual Survey of Hours and Earnings 2020 (ONS)

TABLE 4.25 BREAK-EVEN ANALYSIS SUMMARY (TURNOVER ONLY) (6 WARDS)

Element	Value
Cost of staff turnover	£99,450
Reduction in turnover required to balance costs	137%
Reduction in turnover per year (over 3 years)	46%
Fewer leavers per year (over 3 years)	14

Source: IES calculations based on Tables 4.21, 4.22 and 4.24

To demonstrate how introducing the flexible working programme across more wards within hospitals improves economies of scale, the next few tables present results for sickness absence and turnover for nine wards (306 staff).

Table 4.26 shows the total cost of the pilot now rises to £174,771. However, the cost of annual sickness absence is now almost half a million pound (as shown in Table 4.27). The turnover costs have continued to increase in a linear manner.

Combining the costs and benefits for 304 nurses, there only needs to be a reduction in sickness absence of 0.8 days per person for the programme to be cost neutral. The reduction in turnover is now 18 fewer leavers per year (out of the 46 who would usually leave) to be cost neutral across the turnover dimension only.

TABLE 4.26 COST OF PILOT- NURSING (9 WARDS)

	Staff	Days	Day rate	Total cost
Timewise	Senior	34.5	£1,479	£50,313
	Junior	81.0	£965	£78,200
	Total			£128,513
Employer	Project lead	37	£304	£11,255
	Senior nurse	49.5	£279	£13,792
	Nurse	45	£244	£10,971
	E roster analyst	42	£244	£10,240
	Total			£46,258
Total				£174,771

Source: IES calculations using Timewise pilot data, the Top Consultancy Salary Benchmarking Report 2017 and the Annual Survey of Hours and Earnings 2020 (ONS)

TABLE 4.27 COST OF SICKNESS ABSENCE – NURSING (9 WARDS)

	Number	Weekly £	Daily £	Sick days	Sickness cost
Senior nurse	63	£853	£244	6.7	£102,752
Nurses	243	£727	£208	6.7	£338,635
Total					£441,387
Including bank staff inflator					£494,888

Source: IES calculations using the Annual Survey of Hours and Earnings 2020 (ONS), NHS Digital- NHS Hospital & Community Health Service (HCHS) workforce statistics (2021), NHS Digital Staff absence- Nurses, Health Visitors by care setting July 2018 to March 2019 AH2825 (2019) and various NHS trusts temporary staffing policies

TABLE 4.28 COST OF STAFF TURNOVER – NURSING (9 WARDS)

Staff number	Retention rate	Leavers	Cost	Total cost
306	85%	46	£3,250	£149,175

Source: IES calculations using NHS Digital NHS Hospital & Community Health Service (HCHS) workforce statistics 2020 and National Audit Office, Managing the supply of NHS clinical staff in England 2016

TABLE 4.29 BREAK-EVEN ANALYSIS SUMMARY (9 WARDS)

Element	Value
Cost of pilot	£174,771
Cost of sickness absence	£494,888
Reduction in sickness required to balance costs	35%
Reduction in sickness absence per year (over 3 years)	12%
Fewer sick days per year (over 3 years)	0.8
Cost of staff turnover	£149,175
Reduction in turnover required to balance costs	117%
Reduction in turnover per year (over 3 years)	39%
Fewer leavers per year (over 3 years)	18

Source: IES calculations based on Tables 4.26 to 4.28

5 Conclusions and recommendations

5.1 Conclusion

The economic analysis in this report suggests there is a clear financial return on investment for increasing access to flexible working in frontline industries, through trialled interventions. The findings add to the many, well-evidenced benefits that flexibility has for the job satisfaction and personal lives of individuals, as well as to the many benefits to business, such as attracting and retaining talent, improving equality and inclusivity in the workforce, or supporting employee well-being.

But a solid financial case for flexible working has always been the missing link, and is the reason for continued employer hesitancy to invest in it. With this report, we believe we have helped to fill that knowledge gap.

For the break-even analysis, IES focussed on the two beneficial outcomes of flexibility that are most easily quantifiable: reduced sickness absence and reduced staff turnover.

Secondary data analysis shows that there are clear links between the degree of influence that employees have over their working hours and their job satisfaction, and between job satisfaction and leaving intentions. Thus workers with a high degree of flexibility are happier in their jobs and less likely to want to leave.

Using data from Timewise pilot programmes in five frontline sectors, the results of the break-even analysis show that even modest improvements in reduced sickness absence or reduced staff turnover will be enough for the benefits to outweigh the costs within 3 years:

Reduced absence

A reduction of around just one sick day per person per year could recover the cost of the flexible working intervention within 3 years, taking into account the different absence rates in the sectors, and assuming staff counts in the range 100-300. This equates to a reduction in sickness absence of: 16% per year in retail (in an organisation with 200 sales/retail staff);

29% per year in adult domiciliary care (across 200 care staff); 12% per year in construction (across 200 site staff); 12% per year in nursing (assuming 306 nursing staff across 9 wards) and around 10% per year in education (across a MAT with 100 teaching staff - 11% for primary settings and 9% for secondary).

Reduced staff turnover

Alternatively, the cost of flexible working intervention could be recovered within 3 years by reduced staff turnover of: just 5% per year in retail (equating to four fewer leavers over 3 years, in an organisation of 200 staff), 7% per year in adult domiciliary care (5 out of 200 staff), 11% per year in construction (7 out of 200 staff), 3% per year in teaching (1 teacher per year out of 100 staff), and 39% per year in nursing (18 nurses per year out of 306).

Of course, the costs could be recovered sooner than these numbers suggest, or with lower reduction rates, as the calculations for absences and staff turnover have been worked out separately. In reality, there would be a combination of savings from these two factors.

Moreover, the analysis excludes other outcomes from the programmes that are less easy to quantify, such as increased productivity, reduced presenteeism, improved progression, and employer reputation. All of these are likely to have positive financial impacts for employers and relevant government delivery departments.

5.2 What does this mean for frontline sectors?

Although the findings are based purely on flexible working pilots run by Timewise, together with indicative modelling, they tell a strong story. It's clear that interventions to increase access to flexible working are highly likely to provide a positive ROI in a relatively short space of time. Businesses should no longer be afraid of investing in flexible working initiatives.

In the current climate – post pandemic – some have argued that we are past the point of needing to make a financial business case for investment in flexible working. However, the reality is that it's easier to make the case for hybrid working, with its savings in real estate and with technology enabling many roles to be easily worked from home.

It's a different story when it comes to location-based work in frontline sectors. These industries struggle to offer flexibility, even though increasingly they know they need to do more to avoid a two-tier response across their office/managerial staff and their frontline workers; and to avoid people leaving, and to attract new workers.

Yet organisations in these sectors remain reluctant to invest in flexible working, for multiple reasons. Firstly, the business case for recruitment and retention is not so strong in low-wage workforces (which are seen as being easily replaceable), and there is a lack of evidence to show that flexibility can tackle any of their other challenges. Additionally, these sectors struggle with a lack of capacity or slack in the system to implement widespread changes. And finally, the operational barriers, and the changes needed to job design, are more complex – requiring changes based on hours rather than location.

But through its work with frontline firms, Timewise is learning how to overcome these barriers and make flexibility work. For example, our pilots have found that a proactive team-based approach is needed to job design, as roles are often interdependent and customer-facing, with flexibility needing to be considered in the context of service cover.

Getting it right involves making investments in culture/behavioural change; in training for leaders and managers; and in ring-fencing time and resources to conduct trials within teams, testing different ways of working that match employee preferences but also ensure there is no detrimental effect on customer experience or business performance.

All of this comes at a price, of course. And that's why the economic analysis in this report was undertaken: to go beyond talking about the benefits of flexible working, and prove that interventions are financially worthwhile, even in these hard-to-crack frontline sectors.

5.3 So, where next?

In spite of the ROI case made by this economic analysis, we believe it may still be necessary for policymakers to incentivise frontline employers to drive organisational change on flexible working. If it's left for the market to sort it out, it will take too long.

Focused action is needed to promote and support the uptake of other forms of flexible working besides hybrid working, so that flexible opportunities are accessible to those who can't work remotely - almost 50% of the working population⁴⁶.

We have therefore detailed (see next page) some specific recommendations for policymakers to consider their role in supporting frontline employers, by pump priming work trials and management training in job design.

In the meantime, in 2022, Timewise will launch our own major new programme. Over the next 2 years we will work with 3 major firms operating in frontline industries, supporting them to scale out beneficial actions on flexibility that arose from our pilots. We will track the impact over time, so we can add hard data to the break-even analysis made in this report and further support the case for wider change.

46. https://www.tuc.org.uk/research-analysis/reports/future-flexible-work#_ftn4

5.4 Recommendations for employers in frontline sectors

Getting flexible working right requires investment and careful monitoring to remove any disparities between teams or groups of workers in terms of access to flexible arrangements, and to ensure that there are no detrimental effects to customer experience or business performance. Employers can:

- Create a business case for flexible working, keep it under review and ensure it has senior sponsorship.
- Get flexible working on the agenda of the board and make it a key criterion for ESG reporting.
- Consider what types of flexibility can be offered to all employees, across functions, now and in a post pandemic future. This should involve consultation with employees through surveys and focus groups.
- Trial flexible working arrangements in small teams and monitor their effectiveness before introducing more widely. This will also allow for more sustainable learning and development among line managers.
- Put a team together to work out the actions required, and the cost of interventions that will develop the change journey to improving flexible working.
- Integrate the flexible working approach as part of wider organisational processes or transformational change.
- Establish clear metrics for tracking progress on the introduction of flexible working. These need to be considered in the context of diversity and inclusion objectives.

5.5 Recommendations for policy makers

Timewise calls on:

- The UK Government's Flexible Working Taskforce to create a challenge fund for businesses in frontline sectors to catalyse workplace trials on flexible job design.
- The Scottish Government to ringfence part of its £10m investment in trialling a four-day-week to instead target wider flexible job design trials for frontline industries.
- UK Research and Innovation (Innovate UK) to consider an investment fund for sector and trade bodies to support new ways of working.
- Combined authorities to align action on flexible working with the delivery of key strategic priorities; invest in more support to employers which struggle to improve flexible working; incentivise adherence to 'good work standards'; and influence their procurement chains to encourage increased flexible working.
- Local Enterprise Partnerships to develop their strategic visions to recognise the centrality of flexibility to inclusive economic growth, and provide support to employers of all sizes and sectors.
- Trade and industry bodies to call on their members to take action on flexible working, in order to tackle key workforce challenges; also to support their members by signposting guidance and resources, and encouraging them to share good practice.

Annex 1: Assumptions

Retention rates by sector were primarily obtained through ONS analysis of the Annual Population Survey (APS) longitudinal dataset from 2019. For nursing it was possible to use NHS digital data and for adult domiciliary social care it was possible to use Skills for Care adult social care workforce estimates from 2019/20.

TABLE 0.1 ANNUAL RETENTION RATE BY EMPLOYER

Construction	66%	ONS (2020)
Nursing	85%	NHS digital (2020)
Retail	60%	ONS (2020)
Social care	65%	Skills for Care (2020)
Teaching	64%	ONS (2020)

To estimate the cost of client time in implementing the flexible working policies within each sector, weekly salaries from the Annual Survey of Hours and Earnings (ASHE) 2020 were used. To depict an accurate picture for domiciliary care staff, hourly salaries were used from the Skills for Care State of the Adult Social care sector 2020 report.

TABLE 0.2 AVERAGE WEEKLY SALARY OF OCCUPATIONS INVOLVED IN PILOTS TABLE

Construction

	Salary	SOC code
Human resource managers and directors	£1,022.30	1135
Production managers and directors in construction	£1,079.10	1122
Construction and building trades	£510.10	531
Construction and building trades supervisors	£702.20	533

Nursing

Health services and public health managers	£1,064.70	1181
Nurses	£726.60	2231
Nurses (80th percentile)	£853.30	2231
Nurses (90th percentile)	£975.20	2231

Retail

Sales supervisors	£479.90	713
Sales occupations	£416.00	71
Sales assistants and retail cashiers	£404.80	711

Teaching

Human resource managers and directors	£1,022.30	1135
Senior professionals of educational establishments	£1,143.80	2317
Secondary education teaching professionals	£796.10	2314
Primary and nursery education teaching professionals	£723.90	2315
Teaching assistants	£374.90	6125

Source: Annual Survey of Hours and Earnings 2020 (ONS)

TABLE 0.3 AVERAGE HOURLY SALARY OF OCCUPATIONS IN THE DOMICILIARY CARE SECTOR

Senior care worker	£9.62
Care worker	£8.94

Source: Skills for Care 'State of the Adult Social care sector 2020' (2020)

The rate of annual sick days varies by sector and is drawn from a variety of sources.

TABLE 0.4 ANNUAL SICK DAYS PER PILOT SECTOR

	Average number of sick days	Source
Construction	8.4	Construction News (2020)
Retail	5.1	ONS (2020)
Teaching	4.1	HM Government (2019)
Social care	4.1	Skills for Care (2020)
Nursing	4.3% (Sickness rate)	NHS digital (2020)

Source: In table

The cost of replacing staff members varies by sector and is drawn from a variety of sources.

TABLE 0.5 COST OF REPLACING STAFF MEMBER

	Cost of replacing staff member	Source
Construction	£3,000	IES estimate (2021)
Retail	£3,784	Oxford Economics and Unum (2014)
Teaching	£4,600	PWC (2016)
Social care	£3,642	Skills for Care (Unknown)
Nursing	£3,250	IES calculations using NAO (2016)

Source: In table



Timewise is a multi-award winning social business that exists to support and establish flexible working cultures within the UK economy, in order to make society more equal and deliver opportunities for all. We conduct research, share market insights and provide consultancy services to help employers attract and develop the best talent. We also run Timewise Jobs, a jobs board for roles that are part-time or open to flexibility.

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IES is an independent, apolitical, international centre of research and consultancy in public employment policy and HR management. It works closely with employers in all sectors, government departments, agencies, professional bodies and associations. IES is a focus of knowledge and practical experience in employment and training policy, the operation of labour markets, and HR planning and development. IES is a not-for-profit organisation.

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