

Does it pay to be family-friendly? Exploring the business case

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Flexible working is one of the most important vehicles for improving employees' ability to balance the demands of work and life. This paper summarises the main elements of a business case for flexible working. In doing so it draws upon labour market forecasts, research on employee demand for flexible working and recent studies of the bottom-line impact of adopting such practices.

1. Business on the offensive

A key concern is that business organisations have been on the offensive over regulatory burdens in recent months. This has given support to those who would cast those who argue for family-friendly practices as the enemies of enterprise, entrepreneurship and wealth creation. The main protagonists have been:

1. The British Chambers of Commerce (BCC) – representing 126,000 businesses – have introduced a 'Burdens Barometer' on their website. It calculates the cost to business of the Working Time Directive at £7.65 bn, the National Minimum Wage at £674.5 m and the WFTC at £240 m.
2. The Institute of Directors (IOD) – representing 47,000 UK Company Directors – have their 'RegAlert' campaign, which argues that the 'astonishing burden of regulation on British business' is nearly '£5 bn'. They argue that the Working Time Directive will cost £2.3 bn to business each year and the Minimum Wage £2.4 m each year. A recent survey of IOD members reported that 45 per cent would 'think twice' about employing a woman of childbearing age.
3. The Federation of Small Businesses (FBS) – representing SMEs which employ over 1 million people – argues that employers are 'little more than unpaid tax collectors'. It quotes a recent study for the Inland Revenue which puts compliance costs for employers of fewer than 4 staff at £288 per head, compared to £5 per head for firms with more than 5000 staff.

Seeking the support of business in addressing issues of employment rights has always required sensitivity. Today this is especially the case because many SMEs (which make up 99 per cent of all UK businesses) are additionally concerned about the strength of Sterling and interest rates.

2. The UK workforce in 2000

There are a number of characteristics of today's workforce which are important when considering the current level of latent demand for flexible work practices:

1. Over 40 per cent of employees now work unpaid overtime (an increase of 16 per cent since 1988)
2. In 1998 only 51 per cent of employed men (38 per cent of women) worked full-time for 5 days a week with no regular weekend, evening or night work.
3. In 1998 18 per cent of married women workers with children worked evenings; 6 per cent regularly work nights.
4. Among couples, the chances of working evenings or nights are 50 per cent higher if there are children in the household.
5. In one in four households with children, at least one parent regularly works during the evening
6. In 1998, 45 per cent of women worked over 40 hours per week.
7. Working hours have become dispersed - those at both the very top and very bottom of the labour market are working longer hours. Earnings levels drop for those working more than 35 hours per week.

Ten years ago futurologists were predicting that technology would vastly increase the amount of leisure time we would all have. Instead, we have a long-hours economy combined with increased (and more complex) domestic caring responsibilities.

3. The UK workforce in 2010

Looking ahead to 2010, the factors driving demand for flexibility are set to intensify:

1. There will 3 million more workers over 35 years old
2. There will be 1.3 million fewer aged 25-35 years
3. Only 20 percent of the workforce will be made up of white, able-bodied men under 45 years
4. There will be 12 million over-65s by 2020 being cared for by a growing number of working women over 50
5. Over 80% of workforce growth to 2010 will be accounted for by women

The greater diversity in the workforce will intensify the need to organise work in new ways. One might even argue that introducing flexible working is among the easier of the challenges that this brings!

4. Employee demand

Previous labour market 'crises' have led to employers turning to women returners or older workers as reserve armies of labour when shortages have struck during economic booms. This time is different. The social and demographic changes we are witnessing mean that workforce diversity, for employers, is not a temporary phenomenon which they can wish away. Employers who want the best people must accommodate the demands of their employees (and potential recruits) for:

1. **Flexible hours:** this does not, by any means, always translate into demand for fewer hours. Employees want occasional flexibility in starting and leaving times or permanent arrangements in order to deal with longer-term childcare arrangements. This can cause difficulties if the culture of the organisation has a low tolerance for non-traditional work patterns, or if individual managers are not sympathetic to employees' caring responsibilities.
2. **Flexible contracts:** some employees cannot work on a full-time basis owing to their caring responsibilities. For some employers, allowing simple part-time contracts has been difficult. For others, a wide diversity of contractual arrangements has been achieved with relative ease. An area of demand which is also only met patchily, was the variation of contractual positions as life-cycle changes occurred (eg moving from full-time to part-time and back to full-time again).
3. **Understanding and trusting culture:** even in firms where much has been achieved, some employees still feel guilty about taking up family-friendly policies because of concern that they might appear less committed than their colleagues. Even in firms with a high level of senior management commitment to these policies, less than fulsome support from middle managers and colleagues can still make employees with care responsibilities feel awkward and guilty.
4. **Emergency or short-notice flexibility:** the times when employees with care responsibilities feel most vulnerable is when their care arrangements break down at short notice. This causes them to miss appointments, deadlines or meetings, or at very least appear unreliable and disorganised. This is a paradox, as most carers survive on their capacity to organise and 'juggle' conflicting pressures. Not only do carers need practical support when short-notice problems arise, they also need tolerance and understanding from managers and co-workers. Some firms deal with these issues positively because

they have learned that these employees are more productive if their anxiety is reduced.

5. **Paid or unpaid special leave:** many employees with caring responsibilities are able to resolve short-term care problems relatively quickly if they are given the flexibility to re-organise their working time. In organisations which offer even a small number of paid or unpaid days for special circumstances or emergencies, employees appear far more confident about their capacity to resolve short-term care problems. This seems to be the case even if the days were only rarely used. Employees appear to want a simple mechanism which showed that the firm acknowledged their needs as legitimate and did not force them to take 'sick days' when they were not really ill.

A key factor to bear in mind is that many employees still operate a mental model of the working week which is very traditional. We underestimate the guilt which people feel at working 'non-traditional' patterns.

5. Forms of flexibility

In a recent study conducted by IES for the DfEE¹ among 11 SMEs we found the following flexible working practices being used:

- Childcare allowance
- Family/carer leave
- Paternity leave
- Enhanced maternity provision
- Phased return from maternity leave
- Job-sharing
- Flexible working day
- V-time (voluntary reduced-hours working)
- Unpaid leave during school holidays
- Family access to learning resources
- Childcare vouchers
- Christmas leave (employees with children given preference over leave)
- Home/teleworking
- Time off in lieu (TOIL)
- Flexible F/T - P/T conversion

¹ Bevan S, Dench S, Tamkin P and Cummings J (1999), *Family-friendly Employment: The Business Case*, DfEE.

We found that most started off as very informal practices before they developed into formal policies with clearer eligibility rules and changes to contracts of employment.

6. Key business benefits

Even in small firms, the use of flexible working practices can have positive benefits. The key benefits identified in the IES study included:

Reduced casual sickness absence: most firms were clear that absence due to sickness of a dependant rather than of the employee had reduced. Employees felt able to be more honest about sickness absence than previously. Reduced days lost also reduced direct costs, and the indirect costs of organising cover and lost or delayed business.

Improved retention: each of the firms were able to identify individuals who had stayed with them longer because of their access to family-friendly provision. Most could estimate the number of employees who would have left had such provision not been available. None had calculated the costs that replacing these people would have represented, nor had they put a cost on the provision of these policies. Most were convinced, however, that the retention of key people with key skills was demonstrably beneficial to the business.

Improved productivity: again, none of the firms had direct evidence of this. However, many were convinced that employees working flexible hours were more productive than those working traditional hours. This productivity was manifested in terms of both outputs and work quality.

Improved attraction: anecdotal evidence from recruitment processes suggests that the ability to offer family-friendly practices can attract potential recruits both at the point at which they apply for vacancies and when they are making comparative judgements of job offers. It is felt that the practical support such practices provide is attractive, together with the general impression which such practices project about the culture and values of the company.

Improved morale and commitment: a small number of firms had conducted staff surveys which showed that family-friendly practices appeared to be related to positive views about the company. Overall, most firms believed that morale and commitment among employees with caring responsibilities was enhanced by such policies. Some expressed concern over the effects which they had on employees with no caring responsibilities.

Recent studies in both the US and the UK suggest still more tangible benefits:

1. An American study of high performance work practices found that a 7 percent decrease in turnover leads to increase in sales of £18k per employee (Huselid & Becker, 1995).
2. A UK study in a supermarket chain found that a 20 percent increase in staff commitment leads to 9 percent increase in sales per store per month (Barber, Hayday & Bevan, 1999).
3. A third of sickness absence is linked to domestic caring responsibilities (CIPD, May 2000).
4. An American study showed that childcare breakdown accounted for 5.28 days lost per employee (Bright Horizons Family Solutions).

Many more studies have gathered empirical evidence of real 'bottom-line' benefits of flexible work practices which improve retention and attendance.

7. Employer concerns

Despite the evidence, there remains a hard core of employers who are unconvinced of the benefits. Their primary concerns include:

1. **Setting a precedent:** they worry that general availability of such policies will 'open floodgates' to unlimited demand, or encourage employees to reveal hitherto concealed caring responsibilities.
2. **Incurring costs with no benefits:** they can often see the benefits to the individual, but are concerned that the benefits, to the business are more diffuse and less easy to quantify. This makes them reluctant to commit beyond the discretionary application of a set of practices to selected employees. Formal policies appear less easy to control.
3. **Rights without responsibilities:** they are concerned that employees might regard family-friendly policies as an entitlement for which no return to the firm is required. Underpinning this concern is a fear that some employees will take unfair advantage of a policy, whereas discretionary application of an *ad hoc* practice is easier to target
4. **Backlash from non-carers:** they are concerned not to antagonise non-carers by appearing to treat working parents *etc.* more favourably.

A real challenge which remains for those seeking greater diffusion of flexible working practices is to convince these employers that the gains outweigh the costs.

8. Remaining challenges

1. **Equating Work/Life policies with 'red tape'**: many employers see flexible working with red tape from Brussels. They need to be convinced to look closer to home (*ie.* their local labour market).
2. **Emphasising the costs rather than the benefits**: sharing good practices and successes must be a key to convincing recalcitrant employers to change.
3. **The 'eldercare timebomb'**: while the focus has been on childcare, a large proportion of employees will have to cope with eldercare responsibilities. This presents many different problems.
4. **Work/Life as a women's issue**: if flexible working is seen as a campaigning issue promoted by women for women there is a danger that it will meet the same fate in some organisations as equal opportunities. The Government and employers must develop and implement a coherent strategy for working fathers.
5. **Line manager resistance**: even in firms who offer a range of enlightened policies, take-up of these policies may be restricted by line managers who inhibit free access to them. We need to examine the reality of flexibility which lies behind the rhetoric.
6. **Work/Life is good for business**: the key messages here are that employee demand for flexibility is not transient, that business have no alternative to adapt and that, in the medium-term, Work/Life balance will be good for business.

References

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