



REC Flexible Work Commission Report

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1.

Forewords

1.1 Foreword by REC Chief Executive Kevin Green

The idea for the Flexible Work Commission came about as the UK was emerging from recession in 2009. It was clear from ONS data that employment had not dropped in the way that we've come to expect in recessions and our own labour market surveys backed this up.

We began to question what was behind the trend. Initial conversations with agencies and employers suggested that an increase in part-time working, contracting and other flexible solutions was a significant factor in keeping people in work during the crisis.

We looked to existing research to help explain this shift, but whilst there was a lot of good work, the vast majority of it was focused on the family-friendly elements of flexibility and had been written pre-recession. What many of these reports did have in common though was the idea that business scepticism was a real barrier to growth in flexibility – this was something that we thought had changed during the recession and needed to be looked at again.

The REC therefore decided to form the Flexible Work Commission at the beginning of 2012, with a view to bringing employers, recruiters, policy makers and labour market experts together to explore in detail the business case behind flexibility.

The Commission has thrown up some fascinating insights, not least of which was that many companies did turn to flexibility to survive and preserve jobs through the recession – not just part-time working, but with the increased use of freelancers, temporary workers and interim managers.

It also became clear that flexibility works best where informal arrangements are made, outside of any legislation or regulation. Whether through a companywide shift via negotiations with trade unions or a one-to-one conversation between a line manager and an employee, the Commission has spoken to employers that have been successful with this approach.

Clear business benefits emerged from the data gathered, including increased productivity, improved staff satisfaction and retention and, as a consequence, a positive impact on the bottom line. As businesses became more agile and responsive via flexible working they were better placed to respond to changes in demand.

The role of government was hotly debated by Commission members. The consensus view was that government has a role to play in championing flexibility, particularly by leveraging their purchasing power to encourage more flexibility in public sector supply chains. However the Commission also agreed that government must avoid excessive changes to regulation, if nothing else than for the perceived barriers such changes can throw up, especially amongst SME employers.

There is also a significant role for recruiters to play in promoting flexible working, be that through the strategic use of temporary workers, interim managers and contractors or by providing sound advice on how to review job design so that employers can tap into new sources of talent. Successful recruiters have a growing role to inform and guide employers, helping them understand that getting the right talent does not always require a full-time, permanent position.



Forewords (contd.)

This report, and the recommendations within it, are a call to action. The view of work in the UK is changing. Flexibility is growing in every sector, at businesses of all sizes. People are increasingly rejecting the five day, nine-to-five week in favour of work arrangements that fit their individual wants and needs. The UK has a competitive advantage in its flexible labour market and by enhancing and promoting the benefits of flexibility to all, we can leverage this advantage to create more, and better, jobs in the UK.

We would like to thank to David Frost for his drive and leadership of the Commission, and all the Commission members who, like David, have given up their time to contribute to this important piece of work. This report is based on the experiences of the many employers we have spoken to across the UK, so we must also extend our thanks to them. Two people at the REC have been responsible for drawing all of these strands together and creating this final report – Gillian Econopouly and Ben Farber – so a big thank you to them as well.

I hope you enjoy the report, and that it kick-starts the debate about the value of flexibility in our economy and promotes the benefits to your own organisation.

Yours sincerely

Kevin Green

REC Chief Executive

1.2 Foreword by Commission Chair, David Frost CBE

Whilst unemployment in this country stands at over 2.5m, it is still significantly below levels experienced during previous recessions.

A key reason for this is that business has adopted a range of flexible working practices that have enabled them not only to sustain their companies but also, and importantly, to hold onto their employees. This flexibility was not seen in previous downturns.

It is also clear that global competitive pressures are remorseless and for businesses to survive and grow they have to continually examine their operations. Labour market flexibility gives them the ability to have much greater control of costs.

What the Commission also found was a growing demand from individuals to have a much greater control over their own lives, to work flexibly outside the confines of a traditional 9-5 job. Again business is having to adapt to this, particularly where there is a demand for skilled employees. A clear message is that the more skills you have the greater control you have over your employment patterns.

Overall it was clear that business and individuals are remarkably adept in developing new flexibilities in the modern world of work. There was a concern that that Government by constantly tampering and adding to employment legislation, is simply getting in the way of the real changes that are already taking place in the workplace.

Finally, it has been a real pleasure to work with other members of the Commission and I would like to thank the team at the REC who have provide the much needed support that has enabled the production of this Report which should add to the current debate on the future of employment and the workplace.

I hope you find the report useful.

Yours sincerely

David Frost CBE
Commission Chair



2.

Executive Summary

There can be no doubt that flexible work in all its forms is growing in the UK. We are seeing increased demand both from employers and employees in direct employment, as well as from individuals looking for flexible options outside of a standard contract of employment. Part-time work is on the rise, as is freelancing and temporary agency work, while 96% of all employers now offer some form of flexible working.

The REC's Flexible Work Commission has identified a multitude of drivers behind this shift towards increased flexibility, but the message that the Commission has heard from all quarters is that flexibility helps retain jobs, attract staff and boost business competitiveness.

If there was one lesson to draw from the recession of 2008, it is that the ability to respond quickly to fluctuations in demand is paramount to business survival. Employment rigidity is a significant barrier to such responsiveness and was a very real factor in the collapse of many organisations, and with them the loss of tens of thousands of jobs. Those companies that weathered the downturn best and are returning to growth the quickest are the ones where management and workers came together to develop new ways of operating that emphasised responsiveness and scalability, securing the future of the business and preserving jobs in the process.

The Commission found a diverse range of flexible options being deployed by organisations in a bid to achieve that scalability. From an entire call centre moving to a home-working arrangement to a manufacturing company shifting to a four-day week, companies up and down the UK are embracing the flexibility agenda.

But there is more to flexibility than business competitiveness. Where organisations have trialled and then implemented flexible working solutions, staff response has been unanimously positive. Businesses report significant gains in staff satisfaction and retention as well as productivity and output. They have seen declines in staff absence and disciplinary issues and improvements in the diversity of their workforces. Well-managed flexibility not only increases profitability and business agility, but enables organisations to better compete for, and retain, the best workers with the most in-demand skills.

At the top end of the labour market, highly skilled individuals are making a conscious choice to operate as freelancers or contractors. This was once the preserve of those who had already enjoyed successful careers in direct employment, but new entrants to certain sectors are recognising the benefits of freelancing earlier and, perhaps in response to the growing 'projectisation' of work in many areas, are increasingly looking to operate that way from the off.

Part-time work is growing throughout the labour market. At times this is being driven by financial constraints and the need for businesses to compete, but in the main it is by employees who are seeking to balance multiple or voluntary roles, study or caring responsibilities with their primary careers. Recruitment agencies are responding to these changes by building dedicated part-time candidate pools and helping employers design and recruit for flexible roles. Flexibility is also enabling older workers to phase their retirement, preserving their income for longer and helping businesses bridge skills and knowledge gaps within their workforces.

But there remain a number of challenges to the wider adoption of flexible working practices in the UK. Recent studies have found that negative perceptions of flexibility by both senior management and line managers are a significant barrier, particularly in larger organisations. Existing cultures of 'presenteeism' can be hard to break unless the drive for flexibility is led from the top. Many businesses still struggle to appreciate the full benefits that new ways of working can bring and don't think about the diversity of options on offer when they are looking to expand and grow. Perceptions about flexibility 'floodgates' – the view that approving one request will see future requests spiral out of control – remain entrenched in some organisations, as does the misguided notion that managing multiple flexible arrangements is inherently difficult and should be avoided.

From the individual's perspective, the view that working from home or on a reduced hours arrangement can hinder internal progression, reduce access to training and development opportunities, or create discord within a team or department persists and must be overcome. The onus is on line managers to effect that change in perception and businesses must better support their management in this regard.

Misconceptions about legislation and the legal ramifications of refusing requests for flexibility also act as a stumbling block for some organisations.

Most of the firms the Commission spoke to had a demonstrable interest in flexible working and well-established flexible working practices. Generally, the Commission found that a shift in workplace culture had taken place irrespective of the right to request legislation, for business reasons and to accommodate the changing needs of a more diverse workforce. Indeed, some managers saw right to request as a potential regulatory risk, despite a recent CIPD report noting that in reality, very few employment tribunals have been brought, successfully or otherwise, as a result of the legislation.

The Commission felt that fundamental cultural change in workplaces, founded on a comprehensive understanding of the business case for flexibility was central to expanding the scope and implementation of flexible working practices amongst UK businesses; such cultural change is impossible to legislate.

With the right to request set to be extended to all employees in 2013, the government must produce clear and robust guidance detailing employer obligations to ensure these misconceptions don't grow, stymieing the expansion of flexibility in the process.

The view from certain quarters that particular forms of flexibility – notably temporary or reduced hours contracts – represent a 'casualisation' of work and should be resisted at all costs, must be addressed head on by politicians as well as businesses and their representative organisations.

Job preservation and creation through improved business responsiveness and security is at the heart of flexibility in all its forms. Trade unions, business organisations and the government alike must recognise that in a period of continuing recession, anything that gets people working is better than no work at all, and this Commission has found time and again that flexibility does just that.

3.

Summary of recommendations

3.1 To Government

- The government must move the debate beyond the current focus on family friendly working practices by encouraging far greater uptake of all forms of flexibility throughout the public sector.
- The government must ensure that the tax and welfare systems in the UK encourage increased flexibility in all its forms, including scrapping HMRC proposals to tax all contractors and freelancers working as 'controlling persons' as employees and ensuring that personal allowance thresholds and the universal credit policy always make work pay.
- Any new statutory code for the extension of the right to request to all employees must lay out the full extent of employer obligations in clear and concise language. It should allow for trial periods and should make clear that informal routes to flexibility outside of the right to request legislation are wholly valid and often enable far greater flexibility for both employers and employees.
- There should be a comprehensive and objective review of the right to request one year after any extension to assess how it has affected overall workforce flexibility and employer attitudes towards flexible work.
- The ONS must dramatically expand the range of data it collects on flexible working, bringing the level of detail collected on part-time workers, temporary agency workers, freelancers, limited company contractors and the self-employed in line with that collected on permanent, direct employees, and looking more closely at remote working, and the uptake of flexible and compressed hours.
- The government should assess the potential impact that new ways of working being championed in other, growing economies – such as the German 'mini-jobs' initiative – might have on the UK labour market, and look at ways of rapidly implementing such solutions if that potential impact is judged to be positive.

3.2 To Business

- Businesses must identify internal champions to promote flexibility throughout their organisations while larger companies should share knowledge and best practice with smaller businesses in their supply chains.
- Businesses must do more to proactively train leaders and managers, giving them the confidence, skills and tools to lead flexible teams effectively, and empowering them with robust performance management processes and defined metrics.
- Businesses must engage workers in designing flexible roles and reinforce to the whole workforce that flexibility it is not just for certain groups but for everyone.
- Employers must recognise the dangers of futures skills gaps in the workforce and take action now, using flexible arrangements to retain older workers and facilitate knowledge transfer to new entrants to the workforce.

3.3 For Trade and Professional Associations

- Trade associations and professional institutes should look to work cooperatively wherever possible with unions and employee organisations to advocate the benefits of flexibility for both businesses and workers and move the debate beyond talk of 'casualisation' and 'employer-imposed flexibility'.
- Professional bodies must do more to demystify the processes behind managing a flexible workforce and assist their members in addressing the practical aspects by providing advice and information on employment law, regulation, health and safety and insurance issues, while avoiding a cottage industry dedicated to 'flexibility' training.

3.4 To Recruiters

- Recruitment agencies must foster change in their own organisations by training and equipping consultants to advise clients on job design and flexible work options, challenge assumptions about flexibility, help clients improve job descriptions and advertisements to reflect flexible options available and devise creative and bespoke solutions in line with business need.

4.

Introduction: the current state of the UK flexible labour market

The world of work is changing. It isn't simply that handheld devices enable work on the move, or that people are staying in the workforce longer, or that more and more highly skilled professionals are striking out on their own rather than being tied to a permanent job. These trends are just a small sample of the multitude of changes occurring in virtually every sector, inching steadily towards a more flexible, dynamic UK labour market.

Workforce flexibility has long been a buzzword among labour market economists and government ministers but the evidence collected from companies around the country – and abroad – shows they see real value in flexibility beyond the political rhetoric. It is a trend happening in organisations across the UK because they see the business case for flexibility and the benefits it offers to their staff.

4.1 What does 'flexible work' mean?

In the past, 'flexible work' often described certain types of work patterns for permanent employees, such as working from home or using flexible hours, and was generally linked to certain groups, such as mothers with young children.

However, the scope of flexibility now being used across the economy is much more comprehensive; the Commission has identified two often interlinked strands of flexibility in the UK labour market:

Work flexibility encompasses the various models of supply available to employers, from fixed-term contracts and temporary work through to part-time work and open-ended, permanent roles. This intersects with macroeconomic labour market flexibility, i.e. how easy it is for companies to take on workers.

Employment flexibility addresses the relationship between employer and worker and includes some of the more traditional tools associated with flexible working, such as compressed hours, remote working and the statutory 'right to request'.

Increasingly there seems to be a convergence between the two strands, as employers that have most developed their workforce flexibility use the two branches concurrently.

'Finding the right person is the real challenge. Once we've identified our top candidates, we are then open to all different kinds of contractual arrangements to secure their services.'

Ann Rimmer, Director of Strategy, Clock Creative

4.2 How big is the flexible market?

It is difficult to assess the exact scope of the flexibility taking place in the UK jobs market, given that much of it happens informally, but all the indicators point to a growing tendency for companies to adopt flexible approaches.

CBI research shows that nearly all employers (96%) use at least one form of flexible working and nearly three-quarters (70%) offer three types or more. Historical datasets also show this type of cultural flexible work is rising: the number of firms using part-time, flexi-time, term-time, job sharing, career breaks and sabbaticals, annualised hours, compressed hours and remote or teleworking has risen steadily in surveys from 2006, 2008 and 2011.¹ Particular increases have been seen in remote or teleworking, which rose from being used by 13% of firms to 59% in just five years, and career breaks and sabbaticals, which were used by 29% of employers in 2006 and are now used by 46%, with a further 10% considering this for the future.

This trend is echoed in CIPD research which shows that virtually all large employers offer flexible working arrangements, as do 95% of medium-sized firms, 91% of small businesses and 85% of micro companies.²

Around 41% of British workers have spent some of their career as flexible workers.³ There are now 1.35 million people in the UK working primarily as freelancers, with a further 200,000 taking on freelance work as a second job. The number of people working freelance for their main job increased 11.9% between 2008 and 2011, while employment in the same period dropped 1.5% and unemployment rose markedly.⁴

Since 1997, the number of part-time workers has risen from 6.5 million to 7.85 million, with currently 82% of part-time workers actively choosing such roles to fit their life circumstances.⁵ Research from Women Like Us and the Joseph Rowntree Foundation found that part-time job vacancies account for approximately 23% of the market, but only 3% of those part-time roles pay a full-time equivalent (FTE) of more than £20,000.⁶ The same research also found that more than a quarter of employers now always advertise full-time roles with 'the option of flexibility'.

The ONS does not gather more specific data on the use of more diverse flexible working options, and the data it collects on part-time working is sourced solely from Jobcentre Plus.

Recommendation

The government must dramatically expand the range of data it collects on the ways in which people now work, bringing the level of detail collected on temporary agency workers, freelancers, limited company contractors and the self-employed in line with that collected on permanent, direct employees. The ONS should also gather far more regular and detailed data on the use of flexible employment measures such as flexible, part-time or compressed hours and remote or home-working, particularly by sector.

Introduction: the current state of the UK flexible labour market (contd.)

In terms of assessing the level of worker demand for flexible arrangements, a 2008 TUC/YouGov survey found that 88% of part-time workers and 79% of full-time workers surveyed cited flexible working patterns as 'very' or 'fairly' important, yet only 18% of those same full-time workers and 40% of part-time workers felt they were attaining their desired level of flexibility. This suggests that flexibility can function as an additional way of attracting and retaining the best talent and sought-after skilled specialists, a notion borne out by many of the employers the Commission spoke to.

'Attracting the right talent to get the job done and to stimulate business growth is crucial. The number of hours it takes them or where they work from doesn't necessarily have a bearing on their ability or performance. Offering flexible solutions to those willing and able to contribute but who might otherwise not be able to should benefit all.'

Gary Franklin, Founder, The Forum for In-house Recruitment Managers and Group Head of Resourcing, FirstGroup plc

4.3 What's driving the change?

One of reasons unemployment has stayed low is flexibility

The Commission found that there isn't a single universal driver for flexible work; rather, it depends on a range of factors such as company size and sector, the type of job roles and functions, the age and expectations of the workforce, the brand profile of the company, the attitude of leadership and management, and the external economic environment. Some firms have a particular interest in reducing their carbon footprint, for reasons of both cost and brand image. Others are driven by client demand and expectations, while others still wish to improve the diversity of their workforce. Many companies will have more than one driver, with varying priority. Underpinning all these, however, is a common desire to improve performance, attract and retain talent, and reduce costs without compromising quality.

The recent recession has forced many companies to re-evaluate costs and profitability in new ways. While it has been fundamentally destructive in economic terms, one of the few positive legacies seems to be the willingness of companies to consider flexible approaches to retain jobs, staff and capacity, despite the challenging external environment.

The CBI found that some 83% of employers believe that the UK's flexible labour market helped stem job losses in the recession, and around 35% embraced flexible working to cope with tough market conditions.⁷ The OECD employment outlook also showed that UK employment fell much less than expected given the drop in GDP.⁸

Examples include using compressed hours in order to run plant operations on fewer days of the week while maintaining production levels, offering career breaks, sabbaticals or part-time working options, moving to remote working to save on property costs, and better managing peaks in demand through agency workers or contractors.

Even before the recession, particularly at the higher end of the labour market, highly skilled individuals were driving the flexibility agenda directly. In some cases, they prefer to work as self-employed contractors rather than employees, as they can command better pay rates and move confidently around the labour market in the knowledge that their skills are sought after by employers.

'On the product development side, we often bring in highly skilled contractors on a project basis where the headcount increase will be funded by the project budget. We pay a premium for those skills, but the contractor market is often the only place you can source them.'

Jaguar Land Rover

Employers in high-end manufacturing and engineering are noting an increased 'projectisation' of work and are adjusting the way they source and retain staff as a result, frequently bringing on board contractors with specific skills for very specialist jobs.

'We are very project driven and assemble teams with specific skill sets to deliver the projects. It is about bringing in the right people for a set period of time. We can get very good talent quickly, easily and cost-effectively through the contractor market.'

David Bullimore, NSG Group

Firms taking on graduates say a key driver is the demand of the 'Facebook generation' for more flexible working conditions. These newer entrants to the labour market, especially those who have sought-after skills, tend to have different expectations from work than their parents and grandparents. Many are seeking more flexible options and the ability to take time off to pursue their interests outside of work, and companies feel they must offer flexibility to attract the best talent.

'We are seeing a new generation of graduates who see it as a weakness in our company if we don't make work flexible. It's a way to bring in good talent and is definitely peer-group led and influenced.'

Mike Jackson, Hurst Accountants

The drivers for flexibility will differ from company to company, and even between different functions within an organisation. Understanding the drivers – and leveraging them to achieve the best flexible working solutions – is key to success.

Introduction: the current state of the UK flexible labour market (contd.)

4.4 International comparators

The Commission met with labour market experts from other European countries to understand more about how flexibility is being developed abroad. Overall, the news was positive for the UK. The trend towards increasing flexibility and using a variety of models to take on staff is not occurring to the same degree in most of our European competitors.

The exception is Denmark, which has probably the most liberal labour market of any EU economy and enjoys a political consensus to make the market as efficient as possible. However, the Danish labour market is underpinned by an extremely robust and well-financed social welfare system, meaning that workers feel confident about moving jobs and working under various types of contract given this reliable safety net.

Some countries with historically less-flexible labour markets have made steps towards freeing them up. The German 'mini-jobs' model has been gaining a lot of attention in the UK recently – employees can earn up to €400 a month free of tax and NI, while employers pay a simple, flat rate to cover wages, insurance and pension contributions. Whether the policy would have as dramatic an effect in the UK, where national insurance is far lower and workers earning under £10,000 are already exempt from income tax, remains to be seen. However, the German model has succeeded as it is complemented by a tapered welfare system that ensures it always pays more to work. We recognise that the UK government is taking action in this area through the introduction of Universal Credit; implementation must be closely monitored to ensure it delivers on its potential.

Regardless of the relative success of the German model, the consensus among employers and policy-makers across the EU is that the UK model remains less restrictive than most. In fact, 73% of MPs believe flexible working and freelancing have a positive effect on the international competitiveness of the UK⁹ and employers with an international footprint see the impact as well.

'The UK contractor market allows us to access highly skilled flexible labour when we need it. In other regions, for example, Poland and South America (where we operate), local laws make it much more difficult, if not impossible, to engage individual contractors for short term contract work. To access temporary IT skills, we need to go through larger domestic employers/service companies, which can mean paying more while getting less in terms of motivation and specialist skills. For example, I have rarely, if ever, had an individual UK contractor terminate their own contract. In contrast I have lost team members supplied by 3rd party consultancy/service companies where the individuals have jumped to alternative employment to get a salary or position increase. While the 3rd parties have supplied substitute staff in these cases, this has not helped when projects have been at a critical stage and the specific project knowledge and skills are lost.'

David Bullimore, NSG Group

'We use a range of approaches to flexibility across our territories. In Germany, most of the staff are on full-time contracts, and the only flexibility comes in the form of additional freelancers at peaks in demand. Belgium, by way of contrast, is very much run on a project-by-project basis – skilled individuals are brought together as needed to deliver.'

Liz Love, Z-Card

5.

The importance of flexibility: benefits to business, the economy and the workforce

5.1 Why is flexibility important?

Flexibility is often promoted as a positive option for workers, which is certainly the case for most individuals. However, its total value extends much further, offering macro benefits to businesses and the economy that help secure competitive advantage for the UK. This success can flow back to individual workers through more job opportunities in better-performing organisations.

For the economy

The UK is recognised as a 'successful economic performer' by the OECD, based on the continued rise in overall employment despite cyclical fluctuations in the market. This success is attributed to structural reforms in the 1980s. A key driver for growth is the UK's lighter-touch approach to employment regulation and more flexible labour market. This provides an important element of our competitive advantage¹⁰ and helps attract inward investment. The UK's labour market flexibility also contributes towards its ranking among the top ten global economies on the World Bank's 'ease of doing business' index.¹¹

The argument for flexibility is accepted not only among economists, however. A 2011 study by leading pollsters ComRes showed that some 82% of MPs and 77% of the public consider flexible working patterns to be essential for the modern economy, while 86% of MPs and 78% of the public consider encouraging a flexible labour force to be important for stimulating economic growth.¹²

For business success

Businesses are under constant pressure to become more productive and efficient in order to compete. To do this, they need the right skills and knowledge at the right time to meet demand. They also want to motivate and retain workers, and where possible, bring down costs and environmental impact.

A recent CIPD survey showed that some three-quarters of UK employers feel that implementing flexible working practices has a positive impact on talent retention, while 73% report a positive impact on motivation and staff engagement. This helps explain why fully 96% of employers now offer some form of flexible working.¹³

Studies have also begun looking at work flexibility in terms of engaging agency workers and contractors. This year, NIESR studied nationally representative workplace data and found that the use of temporary agency workers is positively associated with financial performance in the private sector.¹⁴

For workers

Increasingly, people wish to combine professional ambitions and preferences with personal goals and aspirations. Especially for those with skills in high demand, they often wish to have more control over when and where they work, and the type of activities they perform.

'We aim to be an employer of choice, and the benefits of flexible working go a great way to position us as such.'

Sarah Harbour, SHINE

CIPD's recent research shows that more than half of employees report that flexible working helps them achieve a better work/life balance. Other reported benefits are increased productivity, reduced stress and the ability to manage caring responsibilities.¹⁵

The importance of flexibility: benefits to business, the economy and the workforce (contd.)

For those in temporary roles, or in part-time work, this is often a positive choice as it fits in with their lifestyle, for example studying, raising children or a career break. But where people prefer a permanent, full-time role, the vital labour market experience provides a valuable stepping stone. And, where flexible work functions best, there can be mutually beneficial outcomes for individuals and businesses.

5.2 The benefits of flexible working

Flexible work can offer innovative solutions to social and economic issues, such as demographic changes, labour market participation and even environmental concerns as well as the challenges of business competitiveness and saving on plant costs.

However, not every type of flexibility will work for every company, and embedding some types of flexibility in the workforce may actually create conflicts or pressures on other workers. It is therefore important to understand the ways flexible work can add value, and what types of flexibility function best for certain roles. Equally, before implementing flexible approaches, an organisation must assess both the positive and potentially negative impacts to ensure that the fundamental business case and relationships between staff members are not undermined.

Business performance and competitiveness

Despite the availability of some statistics about the business benefits of flexibility, there is still a lack of a comprehensive measure of how much value it creates for the UK economy. The best evidence comes from the experience of employers who have adopted various types of flexibility suited to their particular needs, and are reaping very specific benefits – financial and otherwise – as a result.

The businesses the Commission spoke to said flexibility helped them to deliver a better service to their customers and bring in the skills they needed at the right times. Flexible options also helped smaller companies access the talent they would otherwise not have been able to afford on a full-time basis.

'I couldn't afford the talent I wanted, but I had identified that the level of person I needed often had a young family. So I started offering senior designers part-time hours and other flexible arrangements that fit with their other commitments in a bid to attract them. The experiment was a resounding success. It's all about competition. The driver is making your own business better. We want to retain people, and we get contractors in when we need to access talent that we cannot afford on a full-time basis.'

Ann Rimmer, Director of Strategy, Clock Creative

Scalability is a key benefit. Using temporary agency workers, freelancers and contractors enables organisations to grow and shrink their workforce in direct response to fluctuations in demand. The Commission's conversations with employers show that the recession has engendered a new era of business caution. To take a risk on growth now, a business needs to know that it has a means of quickly downsizing if the expansion cannot be sustained – the preservation of the company, and therefore jobs, must be the primary goal.

'Agency work is a fundamental part of our model - scalability is a key driver. We need to be competitive in a global market and the flexibility we use goes hand in hand with that goal'

Jaguar Land Rover

During the depths of the recession, this drive for survival manifested itself when managers, workers and union representatives at companies around the UK reached compromises on changes to pay, hours and other working arrangements to ensure the future viability of their organisations. Thos Storey, a steel fabricator with a large blue collar workforce, survived the recession by striking exactly this sort of compromise.

CASE STUDY: Thos Storey

Thos Storey is one of the largest privately owned suppliers of steel fabricated components to original equipment manufacturers (OEM)s in the UK. Customers include the largest manufacturers of earthmoving and construction equipment in the world as well as OEMs of specialist commercial vehicles.

Severe commercial pressures during the recession in 2008/09 left Thos Storey in a difficult financial position. Its combined labour costs and overheads were not sustainable in the face of dwindling demand in the market. As a manufacturing firm, with machines to run and targets to meet, reducing the total number of hours worked via informal shift flexibility was not a viable option.

The management therefore entered into discussions with the workers and their union representatives centred on compressing the working week from five days to four, enabling them to shut the entire factory for a day a week, reaping significant savings on utilities and site security.

By compressing, rather than cutting, the hours, Thos Storey ensured that no worker lost out on pay. The entire workforce agreed to move to a Monday-to-Thursday working week, simply working longer shifts over the course of three or four days. This was a case of every worker, from management to shop floor, agreeing on a change that would preserve the company and every job therein. The result has been a huge fall in staff turnover, as the vast majority of the workforce has realised the benefits of a four-day working week: a reduction in travel and childcare costs and an improved work/life balance while their pay packets remain unchanged.

As the economy recovered, and with it customer demand, management introduced a contingent shift working Tuesday to Friday, but still on a four-day week; none of the workers wanted a return to a five-day shift pattern and many have actually turned down better paid positions elsewhere as a result.

Other organisations have found different ways of staying competitive in an uncertain global market. Taking on workers initially as temps as demand picks up allows companies to effectively manage the risks of expanding operations. They can create new jobs in the short term without permanently expanding their payroll and jeopardising the future viability of the company if demand then drops again. While this sort of strategy is primarily management-led and many workers who are taken on initially as temps might desire a permanent position, a balance needs to be struck between the needs and wants of those workers, and the financial realities of job creation and company expansion.

The importance of flexibility: benefits to business, the economy and the workforce (contd.)

'The key question we ask is: "Can the revenue justify a permanent staff member"? If the income or demand is not sustainable, we'll look at flexible solutions. When it becomes clear that revenue is secure, then we'll explore more permanent options.'

Liz Love, Z-Card

Worker choice, satisfaction and retention

The Commission's investigations have shown that many workers now want to have more control over where and when they work, as well as the types of tasks they undertake.

For employed people, the benefits are long established. Companies report gains in motivation, engagement and productivity as a result of flexible work.¹⁶ Over half of employees working flexibly say it enables them to achieve a better work/life balance, while more than half of female employees and 44% of males would take up flexible working if it was offered.¹⁷

'We've had very positive feedback, as people like not having to commute, and they can manage their personal life better as well. We have seen absence levels drop among home-workers compared to the rest of the company.'

Mid-Counties Co-op Group

Businesses also report better staff retention through the use of flexible work, with 73% of firms noting a net positive impact.¹⁸

'We've certainly been successful at retaining talent through our home working programme. Currently our staff retention in the home working team is 81%, compared to about 71% in our office based reservations team. This is excellent as call centre staff are generally harder to retain - the market-wide retention level is around 60-65%.'

Enterprise Rent-a-Car

'Flexible work breeds much better retention, so it has pound notes behind it!'

Alex Wilson, former HR Director, BT

According to the CBI's 2011 workplace health survey, UK employers lost nearly 190 million days to sickness absence in 2010, equating to a £17 billion loss in economic output. Any measures that demonstrably reduce employee absence rates should therefore be welcomed. The Commission has found that firms offering flexibility report a significant, positive impact on absence rates. Nearly half the companies surveyed considered this to be a key benefit.¹⁹

'Rates of absenteeism are much lower with home workers and we've had just a single disciplinary issue across the whole home working programme.'

Enterprise Rent-a-Car

For those working on a temporary basis, this is also often a matter of choice and is a useful way to meet financial or lifestyle needs, whilst studying or looking for a permanent position. Research carried out by the Department for Business and the REC ²⁰ shows that:

- a quarter of temporary agency workers are studying on a full or part-time basis;
- most temps are well qualified: 25% have A-levels, 28% have A-levels plus degrees and 11% have a post-graduate qualification;
- 63% worked on a temporary basis following a period of unemployment;
- 33% worked on a temporary basis while seeking a permanent role;
- 39% worked on a temporary basis while on a career break;
- 68% of temporary workers are satisfied with their pay.

Companies increasingly see agency staff as part of their workforce and manage them as such, offering temporary workers the same flexibility as direct employees.

'We issue project-specific guidance on flexibility and the client can't always tell which are agency workers and permanent staff. I think flexibility is culturally engrained in the energy sector.'

Leanne Byrne, Amec

Many freelancers and contractors move into freelancing after successful careers as employees and appreciate the opportunity to choose the projects and tasks that most interest them, often working with a variety of companies.

Part-time work is also becoming more prevalent, driven in part by demand from workers. It has grown faster than full-time employment over the past ten years, and there is a growing demand for quality work opportunities at higher skill levels. Companies have also found that recruiting for specific part-time roles helps them reach a better candidate pool and access senior skills in a cost-effective way.

Recruitment agencies are responding to this change by building exclusively part-time candidate pools. A good example is REC member and Flexible Work Commission member Timewise Recruitment, which works solely with candidates seeking part time roles. When seeking to fill a part-time vacancy, a business can therefore be confident that Timewise will only put forward candidates who can offer a good fit both in terms of hours they are interested to work, and in skills and experience for the role. This approach avoids businesses wasting time on interviewing candidates looking for full-time hours whilst ensuring that they have a wide pool of talent from which to recruit.

CASE STUDY: Colliers International

Colliers International is a commercial brokerage firm with offices in Asia, North and South America, Europe and Australia.

Martin Lubieniecki, chief operating officer of the firm's EMEA's region and based in London, sought a candidate to fill an accounting role. On assessment, he found the job could be done on a part-time basis of around 15 hours per week with flexibility on timing.

The importance of flexibility: benefits to business, the economy and the workforce (contd.)

CASE STUDY: Colliers International (cont.)

Martin explains: 'I was always open to part-time working; my priority was to make sure I got value for money so there would have been no point simply making this role full-time purely out of convention. The main concern was finding the right candidate. The role had responsibility for the accounting for two companies, and for the employee to work only 15 hours meant they had to be autonomous as well as highly experienced.'

'The natural step would have been to go down the traditional accounting recruitment service route, but it didn't feel right for this role; I worried how many candidates they would have on their books looking for part-time hours, plus I wanted to ensure I was able to find a quality individual who could grow with the company. By accessing a pool of part-time candidates only, we were able to find the right candidate with the right kind of experience.'

Martin's rationale underpins the key driver that leads many employers to consider recruiting part-time staff where they usually would not: access to candidates with years of experience. He advertised through Timewise Recruitment, and successfully hired an accountant with nine years' experience, built at PriceWaterhouseCoopers. She began the role on a two day a week basis in 2011.

Labour market participation and transitions

Companies have also seen flexibility help drive diversity, allowing them to reach groups of workers they previously found difficult to engage. The driver for widening participation in the labour market doesn't exist only within companies, however. The coalition government has put bringing young people, parents and many of those on unemployment benefits into the workforce at the heart of its legislative programme.

'We recognise that more flexibility at work is better for people, for families and for business... The labour market is on the cusp of a major change, one that will be an opportunity for employers to draw upon a new pool of talent, freed up to take up flexible working.'

Lord David Freud, Minister for Welfare Reform, 26 September 2011

Flexible working has long been heralded as a way to bring more family-friendly working practices into the labour market; part-time work in particular is very valuable helping women back into the workforce after having children and helping carers balance work and home lives.²² Flexibility can contribute to a better gender balance in the workforce, particularly at senior levels. The Lord Davies review on women on boards found that one of the key barriers to improving board diversity in gender terms was a lack of flexibility around work/life balance, particularly with regard to maternity leave and young families.

'We saw 98% of women on maternity leave at BT come back once we introduced flexible work.'

Alex Wilson, former HR director, BT

Part-time and temporary work can keep people in the labour market during difficult economic times, thereby reducing unemployment levels, or help people back into work, for example after being made redundant or when changing sectors.

'We didn't know what to expect when we first advertised our home-working positions publicly, but we received over 260 applications for first the 12 places and saw a definite shift in demographics. Many applications for our home working positions came from more mature and experienced candidates than we see applying for our office based roles.'

Enterprise Rent-a-Car

Some 84% of the public and 87% of MPs agree that more needs to be done to enable unemployed people to use flexible working as a bridge into employment.

Providers of the Work Programme, the government's flagship back-to-work programme, are increasingly engaging with recruiters who specialise in temporary roles, as is Jobcentre Plus. The forthcoming Universal Credit initiative is also designed to better accommodate flexible work patterns, avoiding the damaging benefits traps many workers experience when trying to get back into the labour market through temporary or part-time opportunities.

'The inflexibility and uncertainty of the current system makes people too afraid to take part-time or temporary work for fear of ending up worse off. This situation isn't just bad for people, locked into set hours or indeed out of work altogether. It is also bad for businesses, forcing people to be inflexible and shrinking the potential recruitment pool. The changes we are making to the welfare system and the support we are putting in place to help people into work will come together to radically change the labour market. People claiming benefits will, for the first time, be free to work flexibly.'

Lord David Freud, Minister for Welfare Reform, 26 September 2011

CASE STUDY: Shine

Shine, a charity dedicated to supporting those affected by spinal bifida and hydrocephalus, has implemented flexible work to accommodate the needs of staff. One example is Membership Development Officer Gobi Ranganathan, who has spina bifida and is a wheelchair user. He is also an international para-badminton champion, currently ranked number two in the world. He works full-time for Shine, based half in the office and half at home. He uses compressed hours for office days to accommodate his travel and sporting needs.

According to Gobi, 'The job at Shine is perfect for me as it allows me to juggle my lifestyle needs and sporting commitments. I can honour my public responsibilities as a para-athlete, while still earning a living and contributing to the important work that Shine does. I work from home several days a week, compress my hours and have the flexibility to work my hours whenever I can, within reason. I would not have been able to accept the job with Shine if it had not been for the flexible working patterns they offer.'

Demographic change

People are working longer, either through choice or financial need. Many older workers hold key knowledge that must be transferred to younger workers if it isn't to be lost entirely. Meanwhile, youth unemployment has topped 1 million and young people are struggling to get a foothold in the jobs market.

The importance of flexibility: benefits to business, the economy and the workforce (contd.)

New, flexible approaches to work can help both these groups participate productively in the labour market. Older workers can scale down their hours, work remotely to avoid long commutes, or even move to a freelance model. In the meantime, temporary roles can offer young people vital work experience that makes them much more attractive to employers.

Demographic changes mean that skills and knowledge transfer is set to become an increasingly significant issue. With scarce job opportunities for new entrants to the workforce, longstanding reports of skills shortages in many sectors, and continued pressure on the bottom line as the economy slowly returns to growth, businesses need to find new ways to retain the skills and knowledge of their most experienced staff members.

'We find that typically candidates for office based positions tend to be school or college leavers but with home working we are getting a wider range of candidates with varying levels of experience.'

Enterprise Rent-a-Car

'We are concerned about the age distribution of our staff, so some flexibility agreements come with clauses on skill and knowledge transfer. We have only recently introduced this, precipitated by the end of the Default Retirement Age. As a result we do have a few older workers on reduced hours with knowledge and transfer caveats which are regularly reviewed.'

Jon Goodchild, Nuvia

Recommendation

Employers must recognise the dangers of future skills gaps in the workforce and take action now to plug them. Flexible arrangements for older workers, such as a phased retirement system, can help retain skills, facilitate knowledge transfer and reduce the pensions burden on the public purse.

Carbon footprint and savings on plant

The recession has made companies look carefully at all costs and expenditure, especially fixed costs such as plant and premises. They see energy efficiency and reducing environmental impact as a key branding issue. Some firms said that savings on property and office space were the impetus for flexibility, but they saw wider benefits as a result.

'One of the reasons we took a decision to adopt a home working model was space. With the growth of our business we were already utilising a hot-desk model and space was becoming more and more of a challenge. Plus for our reservations team, we need to staff unsocial hours, including early shifts, and manage peak time demands.'

Enterprise Rent-a-Car

6.

Making it work: meeting the organisational challenge

6.1 Selling the idea

Having established the benefits, the next challenge is implementation – making it work within an organisation. Key to that is getting management buy-in. The most successful examples of flexible working we've seen have all been led from the top by managers and company owners who understand the full range of benefits.

'You need education of line managers, but the tone from the top is key.'

Alex Wilson, former HR director, BT

Where flexibility is not being led from the top – and a recent CIPD report found that a negative attitude towards flexibility from senior management was an issue at 37% of large employers – there is a need for line managers and other key internal stakeholders to really sell the idea upwards. Many junior or line managers may question how they can go about this. The answer is relatively simple: cost. Ultimately the bottom line is the big hook for selling in flexibility in whichever form it takes.

Cost is a key lever when it comes to convincing management about the value of flexibility. In many cases, this is already happening; however, properly integrating flexibility into workforce planning and design is essential if it is to pay off. Reducing permanent headcount in a bid to cut costs achieves nothing if the use of temp workers or freelancers then soars unchecked to compensate. Conversely, firms that immediately cut back on temps and freelancers when the recession hit often saw a negative impact on their employees who were put under more pressure as a consequence.

Flexibility is not about changing the balance of your workforce with the year-end financial report in mind – it is a long-term people strategy that assesses fluctuations in demand over a decent period of time and then maps the workforce to those patterns. Managers must look at designing entire business processes with the use of flexible workers or working arrangements in mind.

'When thinking about a new project or work stream, I always look at which model would work best, be it home-working, new shift patterns or using contractors or agency staff.'

Gail Moss, Mid-Counties Co-op Group

That level of foresight and strategic integration is paramount to making flexibility work properly. The Midlands Cooperative Group is an excellent example of success in flexing an entire business process, having moved its invoice-processing function from the office to a home-working environment.

Making it work: meeting the organisational challenge (contd.)

CASE STUDY: Mid-Counties Co-op Group

Having struggled with high absence rates and high staff turnover in the finance function and conscious of a company-wide drive to cut carbon emissions, management took a decision to shift invoice-processing workers to a remote-working set-up.

With the work being so easily quantifiable – either an invoice gets processed or it doesn't – the initial challenges were quickly overcome with a thorough system of metrics and clear workload allocation. There was some initial resistance from longstanding employees who were used to the 9-5 office format, but everyone who moved to home-working quickly came to see the benefits of a vastly improved work/life balance generated by a system of flexible hours. Sickness absence rates dropped dramatically compared to the rest of the company, and productivity increased noticeably.

With the entire work system being online, set-up costs were minimal and clear carbon footprint savings were made as significant numbers of workers no longer had to drive in to work.

Our CEO has made it clear that flexible working was central to our future. This was motivated by the positive impact on absence rates where we have used flexible options to date. The board has been very supportive as they know that with more flexibility, we will have better run stores. We'll have a more engaged workforce with lower turnover, less absence and people feeling valued and performing well. It also goes with our brand, our culture and our values.

Cost issues extend beyond quarterly budget reports. Flexibility in talent acquisition and retention also has significant, positive ramifications for the bottom line. Lower staff attrition rates brought about by flexibility reduce the need to train and develop new workers and avoid skill and knowledge deficits.

Employer branding

Selling the idea of flexibility works best where the concept can be tied to employer branding and the power to increase revenue and influence. BT's approach to flexible work started off with savings in office space and environmental impact. But the company is candid about the fact it makes for good marketing, which has a positive impact on the bottom line.

The diversity benefits can also help convince company leaders to try flexibility. Many companies are now concerned with how they are progressing in terms of workforce diversity. Simply adding a line in a job advertisement indicating that flexible work options (either structural or cultural) are available can widely improve the response – a point worth making when encouraging your firm to adopt flexible work.

'Part of the reason for flexible work was that we wanted to modernise the brand and bring more women into managements.'

Alex Wilson, former HR director, BT

6.2 Accessing the right advice

This holistic approach to managing a flexible workforce does not always come easily or intuitively to businesses, however. Fear of the unknown can often stop both line managers and senior management from rolling out flexible work across their departments or organisations. The sheer range of flexible options can be overwhelming, and redesigning or restructuring roles can also be a challenge. Fears around the longevity of flexibility and the difficulty of recruiting for part-time or flexible jobs are also a factor.

Use piloting to test and learn

Managers sometimes fear that once they start allowing some flexibility, the floodgates will open and things will quickly spiral out of control. Yet every company we spoke to that had successfully implemented flexibility started off slowly – one part-time role, a few home-workers, a contractor or two, or a clearly defined new flexible project – before moving on to more widespread implementation. Identify the areas where you think flexibility might work best, decide at the outset how long the trial period will last and how you will measure success, and communicate the plan to those affected to manage expectations on both sides.

Some firms found that even where people were initially reluctant to try flexibility, when they saw the benefits it created for other staff, they became much more willing to try it out themselves. So choose your 'first movers' carefully, as they can set the tone for the rest of the business.

Prioritising: remember the business case

Even experienced companies can become so enthusiastic about flexibility that they lose sight of the business case, or struggle to prioritise company needs against a widespread demand for flexibility.

BT eventually brought more than 1,000 home-based workers back into their offices, as the model simply wasn't delivering the results required for the business in every department. Regular reviews of flexible work arrangements (both structural and cultural) are necessary to ensure standards are being maintained and the models used are working for often-changing company needs.

'Our drive towards flexibility did stall a bit. Three years ago it was much more dynamic. We then saw a retrograde step in presenteeism and efficiency as things became too undisciplined. So we needed to re-establish credibility. Flexible work was not a "social case" but something we did for business benefits.'

Alex Wilson, former HR director, BT

Where agency workers, contractors or outsourced models are used, regular reviews are advisable to ensure the best results on an ongoing basis. The bottom line is paramount – where it doesn't work for the company, flexibility cannot work for the individual either in the long run.

Call on the experts

Recruitment consultants have a central role to play in assuaging many of these fears. Those REC members who weathered the recession most effectively did so by living up to their names – operating as true workforce 'consultants' for their clients. The best recruiters help their clients to look carefully at a job and the skillset it demands to assess what type of model can best meet the company need.

Making it work: meeting the organisational challenge (contd.)

Where a flexible option is deemed suitable, agencies should help their clients adjust the responsibilities and expectations for the role accordingly. It's no use offering a job on a part-time basis if the workload isn't scaled down to fit into the allocated hours; both the company and worker will end up dissatisfied.

Commission member Timewise Recruitment has led the way in educating companies about better job design, particularly for flexible work, and together with CIPD it now offers a free job design helpline for employers. More recruiters must step up in this area and support end-user organisations in redesigning their jobs for an increasingly flexible labour market.

Recommendation

Recruitment agencies must foster change in their own organisations by training and equipping consultants to advise clients on job design and flexible work options, challenge assumptions about flexibility, help clients improve job descriptions and advertisements to reflect flexible options available and devise creative and bespoke solutions in line with business need.

Finding corporate role models and learning from flexibility champions

Establishing 'flexibility champions' can be helpful for larger companies as managers can then look to these in-house experts for advice and support. It's also beneficial when working flexibly is seen as something not only for lower-level staff, but is role modelled by senior management. This helps reinforce the important message that flexibility should not hold back progression.

For smaller firms, it can be helpful to look for corporate role models or other companies that have successfully implemented flexibility in their sector. The exact approach may need to be modified for the size of the business, but learning from the experience of other companies is particularly valuable for the often cost-sensitive, time-poor leaders of SMEs who can avoid the pitfalls experienced by first movers.

Recommendation

Businesses must identify internal champions, particularly at higher levels, to foster change. Larger businesses should share knowledge and best practice with smaller organisations in their supply chains to encourage wider uptake of flexible arrangements.

Creating training and support at both team and senior management levels

One of the worst outcomes for a business is to start implementing flexibility at a headlong pace, hand the reins to (perhaps bewildered) managers, and then leave staff to 'get on with it'. Without proper support and training for all those involved, it is likely not only to fail, but to lose credibility as a concept within the company at large.

'The direct line manager is the most important person in the process. HR can advocate flexibility, but there will be no progress if the line manager isn't on board.'

Venetia Leigh, My Family Care

Proper training for managers as well as staff working flexibly is important, as is communicating with those who will continue traditional working arrangements to avoid misinformation and conflict between colleagues. It's also a good time to ensure your performance management processes are up to scratch, as these become even more important when assessing the impact of new flexible approaches.

Compared to our European counterparts, the UK has more managers proportionally in the workforce, yet lags far behind in professional accreditation for them.²³ A recent report from the CMI found that 43% of managers rate their own line manager as ineffective.²⁴ This underlines the need for proper training and ongoing support, especially when they are faced with the new challenges of managing flexible workers, which should address how to articulate expectations for flexible staff, using technology in management, performance management techniques and ideas on how to develop and motivate staff. Equally, ongoing support should be provided, ideally via a direct link to HR colleagues, external support personnel or others in the business who can provide help if things start to go wrong.

'One of big challenges is in terms of the technology available. When we set up our home-working programme, it was only for level-one employees and we weren't yet ready for supporting the supervisory role and above.'

Enterprise Rent-a-Car

Recommendation

Businesses must do more to proactively train leaders and managers, giving them the confidence, skills and tools to lead their teams effectively. Core management skills are vital for managing teams that work flexibly but will also pay dividends for those working in traditional ways. A good manager must be able to see the business benefits of flexibility and advocate for it where appropriate.

Professional bodies must do more to demystify the processes behind managing a flexible workforce and assist their members in addressing the practical aspects by providing advice and information on employment law, regulation, health and safety and insurance issues, while avoiding a cottage industry dedicated to 'flexibility' training.

Engage workers in the process

The Commission found that the relationship between managers and staff is essential. Where relationships are limited, strained or even insufficiently open, flexibility is much more likely to fail. Conversely, where flexibility works best, relationships between workers and managers are open, communicative and consultative.

'With flexibility for permanent staff, our company policy is to consider all requests. We find that informality works best!'

Leanne Byrne, Amec

Making it work: meeting the organisational challenge (contd.)

'Flexibility is indeed driven by the "Facebook generation" towards senior management. We let it happen at the line manager's discretion.'

Mike Jackson, Hurst Accountants

Recommendation

Engage workers in designing flexibility and reinforce to the whole workforce that flexibility is not just for certain groups but for everyone. Invite workers to discuss flexible arrangements informally with line managers.

Start with trust, underpinned by robust performance management

Managers and indeed companies often fear that offering flexibility means losing control over employees and their work, or that flexible workers will take advantage of the situation to the detriment of company performance. Among employers who have implemented flexibility, such outcomes were surprisingly uncommon. Instead, if anything, workers made extra efforts to ensure the new flexibility worked.

Robust performance management is central to monitoring performance, especially among flexible workers. If colleagues feel that those who work flexibly (whether as an employee, temp or contractor) gain an unfair advantage, it can undermine team morale. This means ensuring performance levels are maintained, and swift action is taken if they start to slip.

"I think the key mindset change is trust – we've only had one real example of a flexible worker's performance suffering."

Gail Moss, Mid-Counties Co-op Group

'It is easy to quantify output, especially as the role our home workers are doing is exactly the same as those in the office. We have the same metrics in place and the technology enables visibility – we can see when every worker logs on to begin their shift, and details of all calls made and received during a session are logged and recorded as normal.'

Enterprise Rent-a-Car

"There will be 5% who try to work the system and if people see that, it sends a bad message and creates resistance."

Alex Wilson, former HR director, BT

It also means being clear about the benefits available in terms of salary and contract conditions. Where employed workers think that contractors are being remunerated at a higher level, it may be worth pointing out that they do not enjoy staff benefits such as paid holidays, sick leave, company pensions, etc.

Recommendation

Where flexibility is implemented, empower managers with robust performance management processes and defined metrics.

7.

Barriers, limitations and trade-offs

7.1 Company size

CIPD's recent research surveyed a range of employers, large and small, on perceived barriers to the implementation of flexible working arrangements. There was some common ground on certain barriers: 'customer service requirements' were cited by 40% and 39% of large/SMEs respectively. Some 29% of large businesses felt financial constraints were holding them back; 33% of SMEs were also feeling the pinch. Technology issues were a barrier for 10% of larger businesses and 12% of SMEs.

The starkest differences emerged when it came to management. Fully 44% of large businesses stated that 'line management attitudes' create a barrier to flexible working, compared to just 11% of SMEs. This gap narrowed only slightly when it came to 'senior management attitudes', with 37% of large organisations finding an issue there against 17% of SMEs.

The CIPD's findings were in line with those of the Commission.

'We need to bring along those who still have an old school view, plus key people like local and district retail managers.'

Gail Moss, Mid-Counties Co-op Group

Larger organisations often have the resources to train managers in how to successfully handle flexible work patterns. This can be more difficult and costly for medium-sized firms, but they have less trouble overcoming that initial hurdle of entrenched managerial reliance on presenteeism and the standard 9-5 office routine.

Small and micro businesses often already have informal flexibility within their companies, given that they rely on a small number of workers with little replication of job roles. There is a premium on retaining talented individuals, especially given the knowledge they may have built up around the organisation, and they are able to respond to changes in market conditions much more quickly than their larger, more established counterparts, expanding into new regions, or indeed countries, as demand allows:

"In terms of expansion, Z-Card proactively identifies territories where there is demand for our services, then we look for the skills we need within those local labour markets. We use a range of models for identifying talent, from personal contacts and social media through to recruitment consultants for specialist skills. Whatever model we use, the key question we ask is: "Can the revenue justify a permanent staff member"? If the income or demand is not sustainable, we'll stick with flexible solutions.'

Liz Love, Z-Card

While many SMEs are instinctively willing to consider flexibility to retain talent, the barriers they face tend to be around managing HR and legal issues, such as choosing the right structure, knowing what type of contract to use, and understanding their rights and obligations towards workers, compounded by the lack of dedicated personnel support. Often the owner/manager of the firm has to deal with these issues as well as the day-to-day running of the business, which can make it more difficult to implement new working patterns and approaches.

Barriers, limitations and trade-offs (contd.)

7.2 Sector

Flexibility is already culturally engrained in a number of sectors, notably the creative industries, high-end engineering, energy and IT. All these sectors see a high volume of project work and highly skilled operatives – circumstances that suit freelance contractors, remote working and flexible shift patterns.

Yet there are clearly sectors where the constant physical presence of a worker is required for work to actually take place. A production line or manufacturing plant needs operatives on the shop floor for any products to get made. On the face of it, this appears to be a significant barrier to flexibility, but the Commission spoke to a number of manufacturers and factory owners who had found ways around the problem and were embracing the flexible agenda with great success - Thos Storey and Jaguar Land Rover being prime examples:

'When an employee requests flexibility, our default management position is "yes, how do we make it work?" In most cases we find a way. While flexible working patterns are harder to implement on the shop floor due to the need for physical presence and the sheer logistical challenges posed by varying shift patterns in a thousands-strong workforce, we do our best to accommodate requests where they are made.'

Jaguar Land Rover



7.3 Client demand

The majority of businesses we spoke to in sectors like manufacturing, engineering and energy told the Commission that the nature of their businesses and that of their clients was as much a factor in implementing flexible solutions as employee or management demand. Thos Storey's clients initially feared they would not be able to produce the same output on a reduced working week and that the business-to-business relationship would suffer, but these fears were quickly assuaged as the staff productivity gains resulting from the move to a four-day week outweighed the loss of a production day.

In other sectors – energy maintenance is a good example – companies have changeable requirements that require constant on-call support. This might on the face of it reduce a company's ability to implement flexibility; employers we spoke to actually found the opposite.

'In the energy sector, flexibility is driven by customer requirements. Power station maintenance is a prime example, requiring flex hours due to the unpredictable nature of the work.'

David Bremner, Serco Energy

Where the nature of demand is uncertain and there is a need for businesses to respond quickly and urgently to their clients' needs, the challenge is to ensure they have sufficient resource on call to meet all client eventualities. Flexible and contingent workforces can be a solution.

'Since we adopted home working, our corporate customers have noticed our ability to respond quickly to outages - they've said the response has been seamless. If there is a spike in demand, we send a text to home workers asking if they can log on to help alleviate it; we generally see quite a high uptake. We pay this as overtime and home workers receive recognition from their team supervisor.'

Enterprise Rent-a-Car

'Flexible work patterns are dictated by our clients. They want to minimise disruption to the service, so flexibility is important. We work in alliances to achieve the best flexibility, from permanent staff to agency workers and contractors.'

Leanne Byrne, Amec

7.4 Familiar faces

The need for the highly skilled independent workers and contractors to remain flexible and mobile is growing in the UK. As projects get shorter in terms of completion schedules, profit margins get smaller and skills become more specialised in respect of delivery, it is important that access to this group of workers is not limited by ill thought-out government intervention. By choice these constituents of the flexible workforce forgo the traditional securities of employment - holiday pay, sick pay, redundancy pay, maternity leave, paternity leave, bank holiday pay – choosing instead the independence and freedom of contracting. Organisations that use contractors do so because they wish to access a talent pools talent that relies on their talent and ability to deliver a good job consistently, and contractors and their customers – particularly repeat customers – should be confident that the tax regime in the UK will not penalise them through clumsily defined and poorly implemented employment status tests.

Barriers, limitations and trade-offs (contd.)

'We use limited company contractors when there is a client need for short-term demand. These individuals do not want to be permanent, but we like to use the same contractors over time if they are good.'

Leanne Byrne, Amec

Professional bodies including PCG and the REC have made repeated efforts to work with HMRC to simplify the tax laws surrounding contractors and freelancers (commonly known as IR35) in a bid to promote entrepreneurialism and foster growth. Despite initial positive noises from the government, they now seem to be moving in the opposite direction, consulting as they are on proposals around the nature of 'controlling persons' that could have a severe impact on the freelance and high-end contractor market and deprive both public and private sector organisations of a valuable talent pool.

Recommendation

The government must ensure that the tax and welfare systems in the UK encourage increased flexibility in all its forms. HMRC's 'controlling persons' proposals - to tax all contractors and freelancers deemed to be 'controlling', as employees - should be scrapped and personal allowance thresholds and the universal credit policy should be adjusted to emphasize the financial incentive to work.

7.5 Current definitions

Much of the existing research and debate around flexible working centres on family-friendly working practices within permanent employment rather than the wider definition encompassing all forms of work flexibility. One aim of this report is to raise awareness of the sheer diversity of flexible options on offer to organisations in both the public and private sectors. In the public sector certainly, there is scope to dramatically expand the use of work flexibility, like the increasing trend of work 'projectisation' being seen in certain sectors of private industry. Far from cutting the use of temporary workers and implementing additional barriers to the use of freelancers and interim managers in the public sector, the government should be embracing these forms of work flexibility and the huge efficiency savings and increased access to in-demand skills they can bring to central and local government-funded projects.

Recommendation

A wider understanding of flexible work should be adopted by government to help move the debate beyond the current focus on family-friendly working practices. The government should lead the way by demanding increased work flexibility through public procurement and the public sector supply chain.

7.6 Employer vs worker

One pattern that emerged from our discussions with employers is in the types of flexibility that can viably be implemented across the employment spectrum. Clearly there are major differences in the options for structuring the workload of a trainee accountant and someone on a car factory production line. No amount of innovation in workforce design will enable that factory worker to perform his role from home, and that fundamental barrier has led many to assume that there is no place for flexibility at the lower end of the jobs market. Yet our case study on Thos Storey has shown this assumption need not be true.

Where organisations use significant temporary labour, they often lay themselves open to attacks from trade unions about the 'casualisation' of labour. However, unions must recognise that temporary roles can be a valuable way of gaining experience, testing the waters of a particular sector before jumping headfirst into a career. Employees are not unduly bound to a company and there is a mutual benefit for employers in that they can get a clearer sense of the worker's ability and enthusiasm for a role before taking them on for the longer term. Trade associations must do more to represent the interests of businesses to trade unions and open productive dialogue around the benefits of work flexibility to individuals across all sectors of the UK economy.

Recommendation

Trade associations and professional institutes should look to work cooperatively wherever possible with unions and employee organisations to advocate the benefits of flexibility for both businesses and workers and move the debate beyond the over-simplified accusation of 'casualisation'.

7.7 Management and progression

A clear logistical problem, particularly for remote working and flexible arrangements which reduce office contact time, is how to ensure such workers still progress within a company and don't miss out on training, development and team-building opportunities.

A number of the organisations we spoke to combat this problem through face-to-face team meetings every few weeks or months. Many will also train new starters at the office before moving to home-working or other flexible arrangements. All have clear metrics and appraisal processes in place.

Barriers, limitations and trade-offs (contd.)

7.8 Team cohesion and internal communications

Another potential risk, particularly if flexibility is introduced in a piecemeal manner within a department rather than wholesale through new business processes designed with flexibility in mind, is that rifts that can develop between flexible and non-flexible workers.

Many firms we spoke to reported initial scepticism from some employees when management-led flexibility was first proposed. Any workforce has staff members that are comfortable with the 40-hour office week and view change with suspicion, because they fear a lack of accountability and an imbalance in workloads.

Overcoming these fears is paramount; strong, open internal communication between line managers and their office-based and remote or flexible staff must be a top priority. Enterprise Rent-a-Car provides a compelling example of this.

CASE STUDY: Enterprise Rent-a-Car

The decision to promote homeworking was taken by senior management due to growth, the increasing requirement for further space, and the desire to broaden flexible working opportunities at the company. Homeworking was not new to us as a global company - nearly 500 homeworkers were already working successfully in the USA. We began in the UK with a pilot programme, with the assistance of Gillan Bell from a company called "At Home". We started with just 12 home working places and sought 6 internal and 6 external candidates.

We received over 260 applications from a diverse range of candidates. Once the benefits of the pilot had been recognized - in the form of a dramatic reduction in absenteeism, disciplinary issues and increases in punctuality and productivity - we rolled out the project across our entire Reservations team. The pilot project manager became the home working team supervisor and now for every office based worker who leaves, we recruit a home-working replacement with a view to achieving a target of 50% of the reservations department being home working.

Barring some company events and exceptional circumstances - i.e. serious technological failures or disciplinary issues - home workers are never seen at the office. This has required strong internal communication systems to be put in place; home workers have a weekly catch up over the phone with their manager and monthly performance appraisals are also carried out over the phone. They are able to listen back to their calls with their manager and have virtual team meetings via online conferencing software. Home workers can always see who else is online at any given time and communicate with them via internal instant messaging software and email which ensures a sense of team spirit is preserved. We also maintain a company-wide intranet hub for business and company policy updates and staff recognition announcements.

8.

The role of government

8.1 Current direction of regulation

The coalition government has repeatedly asserted its support for building a flexible workforce but too often this has been too narrowly defined, focusing almost wholly on cultural flexibility and 'family-friendly' practices. The Commission believes that construing flexibility in the widest possible sense – including contractual work flexibility – gives employers more options and opportunities to pursue growth and create jobs.

The Commission's investigation has clearly demonstrated that employers are using both strands of flexibility to meet the needs of their businesses and their workforce. Government policy and support programmes for employers should reflect this.

8.2 Right to request

At present, although any employee can ask for flexible work arrangements, some employees have a statutory right to make such a request and have it considered. These include parents of a child under 17 (or a disabled child under 18), or employees who are carers for a spouse, partner, relative or someone else living with them. The law requires employers to 'seriously consider' an application to work flexibly and may only reject the application on the basis of a legitimate business reason for doing so.

Most of the firms we spoke to have a demonstrable interest in flexible working and have well-established flexible working practices. Generally, the Commission found that a shift in workplace culture has taken place irrespective of the right to request legislation, for business reasons and to accommodate the changing needs of a more diverse workforce. Indeed, some managers see right to request as a potential regulatory risk, despite a recent CIPD report noting that in reality, very few employment tribunals have been brought, successfully or otherwise, as a result of the legislation.

The Commission felt that fundamental cultural change in workplaces, founded on a comprehensive understanding of the business case for flexibility was central to expanding the scope and implementation of flexible working practices amongst UK businesses; such cultural change is impossible to legislate.

Perceptions are key though, and most employers the Commission met saw informal negotiations between line managers and staff as the preferred route to flexibility. Indeed, many view such informality as empowering: it breaks down rigid workplace power structures and promotes employees as individuals who can negotiate with managers as equals, without recourse to an inflexible statutory process.

'None of our flexibility is as a result of the current right to request legislation – we want to open up our home-working programme to all our employees, and anyone can ask to join. We encourage informal negotiations on shift patterns and hours which are then signed off by management once all parties are happy with the arrangement.'

Enterprise Rent-A-Car

The role of government (contd.)

'If the right to request didn't exist, we'd be just as flexible!'

Jon Goodchild, Head of HR, Nuvia

'As a small business, if the right to request is extended, we would insure ourselves against the risk and then follow the list or process the insurer put down. We would add to our employment insurance – we are simply not prepared to carry that risk.'

Steven Hale, Crofton Design

Informal arrangements outside of the statutory Right to Request can provide far greater flexibility both for employees and employers. Under the Right to Request legislation, an employee can only make one application for flexible working every 12 months, locking them into that arrangement even if their circumstances change. Likewise, whilst an employer can turn down an initial request for one of eight statutory 'business reasons' (e.g an inability to meet customer demand), if a request is granted, there is no scope for the business to amend the flexible working arrangement even if, for example, customer demand is failing to be met.

Arrangements made outside of the Right to Request are not so rigid and can flex in line with the needs of both employees and employers. They also provide more scope for trial periods and encourage a constant dialogue between employer and employee around how the flexible arrangement is working for both parties

The coalition government has also recognised the positive impact of a dialogue and trust-based workplace culture.

'We want to see a wider change in the employment relations culture in this country. A culture that establishes dialogue rather than confrontation as the norm between employers and employees. That trusts people to do the right thing rather than relying on regulation to deal with every single issue that may arise. And that ensures businesses have the confidence to hire the talented and committed workforce they need in order to thrive.'

Employment Relations Minister Norman Lamb speaking at CIPD conference, 3 July 2012

However, the coalition has already pledged to extend the right to request to all employees after 26 weeks. The government has attempted to make guidance on the new legislation employer-friendly by keeping it brief and non-prescriptive, but employers actually need a clear understanding of their duties under the new rules. Small firms in particular will want to know the exact process required and may wish to insure themselves against any possible tribunal action.

Recommendation

The new statutory code for the extension of the Right to Request to all employees must be and clear and concise as possible, laying out the full extent of obligations employers must meet using language that avoids any possible confusion or debate around the process that must be followed.

There should also be a clear option for employers to use trial periods for new flexible work arrangements.

Recommendation (cont.)

The non-statutory guidance must make it clear that informal routes to flexibility outside of the Right to Request legislation are perfectly valid and can actually enable far greater flexibility for both employers and employees.

There should be a comprehensive and objective review of the Right to Request after any extension to assess how it has affected overall workforce flexibility and employer attitudes towards flexible work. If it is found that the Right to Request extension is not delivering on the goal of increasing workforce flexibility and improving employer understanding, or that it is actively hindering growth in flexibility, the government should look seriously at reforming the legislation.

8.3 Perceptions vs actual levels of regulation

The Commission found a gap between perceived and actual legislative or regulatory barriers to flexibility in the UK labour market. However, the employers we spoke to all preferred to reach flexible arrangements informally with the formal processes required under the right to request legislation often perceived as a barrier by managers. However, few other tangible labour market obstacles were identified, although there may be some on the horizon.

Some of the bottlenecks, notably the abuse of the Employment Tribunal system, are already being addressed by the coalition government.

'In October 2011, we said that we would focus on ensuring that we do not have any unnecessary employment regulations. Since we last updated the House, the red tape challenge has examined all of the regulations in scope of the review of workplace rights, compliance and enforcement.'

Written ministerial statement by Employment Relations Minister Norman Lamb, 10 July 2012.

In Europe, the UK labour market is already viewed one of the most flexible and deregulated, behind only Denmark, although some employers who have had experience operating across the EU do feel there is room for improvement in the UK in terms of fostering start-up and micro business growth.

'Some EU countries are far easier than others to operate in. As a sub-10 person micro-business in Germany, we were able to operate much more flexibly than larger competitors. As a small business, we knew we had more freedom from regulation, which gave us the confidence to take a risk on expansion. We could attract people that valued the opportunity for growth and progress a small company can offer over the comparative security but lack of future development a larger organisation might present and looking back at that experience, I'm certain the UK would reap huge benefits from exempting micro and start-up businesses from certain business regulations, if only to deal with that perception of regulation as a barrier to growth.'

Liz Love, Z-Card

9.

Appendices

1: Members of the Flexible Work Commission

David Frost, Chair

Kevin Green, REC

Stuart Davis, FCSA

John Brazier, PCG

Jason Atkinson, Interim Management Association and Russam GMS

Amanda Francis, Manpower

Neil Smith, Kinetic

Emma Stewart, Women Like Us and Timewise Recruitment

Alex Wilson, Former HR Director for BT

Joanna Lewis, Head of HR, Commercial & Diversity, BSKyB

Gary Franklin, Founder, The Forum for In-house Recruitment Managers and Group Head of Resourcing, FirstGroup plc

Liz Love, Director, Z-Card

Steven Hale, Director, Crofton Design

Dr. Clare Kelliher, Cranfield University

Matthew Tinsley, Policy Exchange

Venetia Leigh, My Family Care

Patrick Woodman, Chartered Management Institute

The Commission's recommendations represent a consensus view and do not necessarily reflect each member organisation's precise individual position on each issue.

2: Employer contributors

BT

BSkyB

Mars UK

Timewise Recruitment

Z-Card

Crofton Design

Thos Storey

First Group

Clock Creative

Team Employment Support Ltd

Pilkington/NSG Group

Hurst Accountants

My Family Care

SHINE

MAN Diesel

Nuvia

Amec

Serco Technical Services

Mid-Counties Co-op Group

Enterprise Rent-a-Car

Jaguar Land Rover

Appendices (contd.)

3: Other contributors

Greater Manchester Chamber of Commerce

Chartered Institute of Personnel and Development*

*The CIPD does not endorse the Commission's final position and recommendations on the right to request legislation.

4: International contributors

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Even Hagelien, NHO Service, Norway

Francois Roux, PRISME, France

10.

Notes

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