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ILM Research Paper 1
Flexible Working

A selective summary of recent research

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February, 2013

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Pardey, D (2013) *ILM Research Paper 1: Flexible Working - A selective summary of recent research* ILM, London

The series so far consists of:

ILM Research Paper 1: **Flexible Working:** A selective summary of recent research

Section A

Flexible working: The changing pattern of employment

A1 Why research flexible working?

ILM chose to explore flexible working because of its significance when we explored the experience of women managers[1]. For many women, the ability to work flexibly whilst they had significant caring responsibilities, was critical, yet many found it problematic, not the least because of the cultural attitudes in their organisations (this was especially true in some parts of the banking industry).

Although all employees with caring responsibilities have the right to ask for flexible working, employers have no obligation to allow them to work flexibly. This right was introduced for those mainly, but not exclusively, caring for children, to enable them to continue to work whilst encouraging employers to at least consider the possibilities of them working flexibly.

Although it is often still the case that women are expected to take the primary responsibility for child care (and for care of elderly and disabled relatives), it is clear that flexible working is not exclusively a gender issue. There is evidence that it is increasingly a generational issue as well, with many younger workers assuming much more flexible attitude to when and where they work, as was apparent in ILM's research into recent graduates' attitudes to the workplace (*Great Expectations: Managing Generation Y*[2]).

What we set out to do in our research was to explore the reality of flexible working and the experience of managers in managing people working flexibly. The findings of the research can all be found in the report *Flexible working: Goodbye nine to five*[3]. We wanted to find out if managing people working flexibly presented any specific challenges. We were also interested in how managers determined whether or not to allow someone to work flexibly. A US study[4] concluded that flexible working was:

managed as a negotiated perk, available to valued workers if and when managers choose to allow them

To what extent is it the same in the UK? Is flexible working seen as offering real benefits to employers as well as employees, or is it something that can be handed out or retracted as a system of reward and punishment?

Research by Opportunity Now[5] (part of Business in the Community) argues that there is a need to make a clear business case for agile (as it calls flexible) working:

1 *Ambition and gender at work* ILM (2011) and *Women in banking* ILM (2012). Both are available from the ILM website http://www.i-l-m.com/research-and-comment/378.aspx
2 http://www.i-l-m.com/research-and-comment/generationy.aspx
3 http://www.i-l-m.com/flexibleworking
4 Erin L. Kelly and Alexandra Kalev (2006) *Managing flexible work arrangements in US organizations: formalized discretion or 'a right to ask'* Oxford University Press and the Society for the Advancement of Socio-Economics
5 Judith Cherry (2010) *Out of Office II: Solutions for an Agile Future* Opportunity Now, London

> Understanding and communicating the business case is essential for moving the perception of agile working from an employee benefit to a new way of working. Almost all managers understand the link between agile working and retention. Less understand the operational benefits of working in a different way.

The report also explores managers' own experience of working flexibly. Other research has shown that managers can and do work flexibly. For example, Bloom et al. (2009)[6] reported that 30% of U.S. and 33% of European manufacturing firms offer opportunities for at least some managers to work from home. How widespread is this opportunity, and how much is it taken up when it is available?

- **What expectations do you have about the level of flexible working?**

- **What do you expect managers regard as the main challenges to managing flexible workers?**

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6 Bloom, Nick, Tobias Kretschmer and John Van Reenen, (2009), *Work-life Balance, Management Practices and Productivity* in *International Differences in the Business Practice and Productivity of Firms* Richard Freeman and Kathy Shaw (eds.). Chicago: University of Chicago Press.

A2 The meaning of 'flexible working'

Flexible working is defined (by the Financial Times *Lexicon*[7]) as giving 'employees flexibility on how long, where and when they work'. The Lexicon then goes onto list a variety of different ways that employees might enjoy flexible working:

- Flexible hours (flextime) - the ability to choose the start and finish time of the working day within core hours

- Telework (flexplace) - the chance to work from home or another place one or several days a week

- Time banks - the ability to take time off in compensation for overtime

- Compressed work weeks - such as working four longer days and taking the fifth day of the week off, or working a nine day fortnight

- Part-time - working a few days a week, say three days instead of the traditional five days, or fewer hours per day than the standard employment contract in that organisation

- Job-sharing - two people sharing a full-time position, either 2.5 days each in the week or alternating one week each.

It is also possible for employees to enjoy flexibility in their careers by moving from full-time to part-time working (eg to enable them to manage family caring responsibilities, or in preparation for retirement), or to take an extended period of leave (eg as a sabbatical) on a paid or unpaid basis.

Flexible working cannot be viewed in isolation. It exists in a rapidly changing pattern of workplace relationships, not all of which might be seen as positive, such as the use of 'zero hours contracts' and of out-sourcing services that may once have been treated as core operational activities – there is more about some of these aspects of employment conditions in Section B2.

For the purposes of the ILM research into flexible working, carried out in November and December 2012, the definition of flexible working that was used was limited and designed to focus on those aspects of flexible working which might be viewed as representing a positive opportunity for the employee to enjoy some flexibility in his or her employment.

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7   http://lexicon.ft.com/Term?term=flexible-working

Respondents (all of whom were ILM Members) were asked about the availability of the following forms of flexible working as a part of employees' formal employment contract:

1. Offsite working (e.g. working from home), either permanently or on an occasional basis
2. Flexible hours (e.g. working different hours within agreed parameters, taking 'time off in lieu', working compressed weeks)
3. Job sharing (e.g. two people occupying what would otherwise be a full time job)
4. Part-time working / variable part-time working (i.e. working fewer hours than a full time job, either permanently or for periods of the year such as school holidays)

They were further asked the extent to which the first two options were also available on an informal basis – ie on an *ad hoc* basis, from time to time, without being specified in the employees' contracts. The findings from the research are all contained in the report *Flexible working: Goodbye nine to five*, which is available from the ILM website (www.i-l-m.com/flexibleworking)

- **Does this reflect your own understanding of flexible working?**

- **Does your organisation allow employees to engage in any of these working patterns?**

- **Have you ever worked 'flexibly'?**

- **What are your attitudes to flexible working, as an employee and as a manager?**

This is not the only research into Flexible working; ILM's focus was on the management of flexible working, whereas other research has focussed more on its availability. For example, the *2011 Workplace Employment Relations Study (2011 WERS* – this is explored in more detail in Section B2) asked employees about their employers' provision of flexible working. They found that the proportion of workplaces where some employees were able to work from home or work compressed hours increased between 2004 (the date of their previous research) and 2011 but that the proportion of workplaces with job sharing or reduced hours fell (see Table 1, on next page).

84% of employers who allowed flexitime made it available to all employees, not just those with caring responsibilities, a picture that was reflected in ILM's research. Only 10% of workplaces offering flexitime restricted it to those employees who had a statutory right to request flexible working; the remaining 6% offered it to a broader, but still selective, group of employees. The picture was much the same for those that allowed employees to reduce their working hours, with 86% allowing all employees to

do so, 11% limiting it to those with a statutory right to request flexible working, and 3% restricted it to a slightly wider group.

Table 1: Flexible working practice

	2004	2011
Reduced hours	56	63
Homeworking	35	35
Compressed hours	30	25
Job-sharing	20	11
Term-time working	16	14

The managers in this survey were asked why they didn't allow employees to work flexibly. The table below shows that their answers were principally that the nature of the work acted as the major constraint.

Table 2: Constraints on flexible working

Nature of work/operating hours	53%
Pressure on others	30%
Size of workplace	21%
No demand	9%
Cost	19%
No constraints	27%

Managers in small private sector enterprises (as ILM found in its research) were more likely to report no constraints (31%) than those in larger private sector enterprises (22%) or the public sector (20%), and the three most commonly cited forms of flexible working amongst the employees surveyed were:

- flexitime (30%)
- working from home (17%)
- taking paid leave to care for a dependant in an emergency (12%)

- **How well does this pattern of flexible working (Table 1) reflect your own workplace?**

- **Looking at your own workplace, to what extent would you say that the constraints outlined above (in Table 2) occur?**

- **To what extent are any constraints so significant that you would not allow someone to work flexibly, even if it meant that they might leave**?

A3 An experiment with flexible working

This section summarises the results of an experiment in using flexible working in a Chinese call centre[8]

Experimentation in leadership and management strategies is rare, especially in a controlled, scientific way, although they can happen, as this paper shows. It reports the results of an experiment at CTrip, a Chinese multinational employing 16,000 people. The 996 call centre employees working in the company's air travel and hotels division were asked to volunteer to be part of the experiment Just over half (508) were interested, of whom 252 met the criteria for inclusion in the experiment (at least six months tenure, broadband access and a private room at home in which they could work). The treatment group (those working at home) and the control group (who had volunteered to work from home but were selected to continue working from the office) were randomly selected on the basis of having an even or odd birthday.

The experiment set out to explore three specific questions:

1. Is home working a useful management practice? Is there evidence of benefits to the organisation?

2. Does home working address concerns about deteriorating work-life balance? What potential does working from home have to help address this?

3. If people need not travel daily to and from work, does it raise the relative attractiveness of different locations, both as places to live and as locations for offices? Could freeing large numbers of people from commuting to work have substantial effects on traffic levels and pollution?

- **Consider the experimental method used here. Why do you think the treatment and control groups were selected from the people who had volunteered and who met the criteria for working from home?**

The participants' were closely monitored during the nine month experimental period and the data showed that those working from home improved their performance by 13%, made up of an average 9% increase in minutes worked per shift (due to them taking fewer breaks and having fewer days off sick) and 4% from making more calls

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8 Bloom *at al* (2013) *Does Working From Home Work? Evidence From A Chinese Experiment* Nicholas Bloom, James Liang, John Roberts and Zhichun Jenny Ying www.stanford.edu/~nbloom/WFH.pdf

per minute (which is attributed to a quieter working environment). The Home workers also reported greater job satisfaction, and their job attrition rate fell by 50%.

After the experiment, the firm rolled the programme out to all employees, giving them the choice of working either from home or the office. Perhaps surprisingly, only half of those who had been able to work from home during the experimental period elected to continue doing so, with the other half choosing to go back to working in the office. After employees were allowed to choose where to work, the performance impact of working from home almost doubled, highlighting the benefits of choice when adopting modern management practices like home working.

It is worth considering why some people prefer to work from home, others from a separate place of work.

- **Why do you think some people prefer to work from home and others don't?**

- **How would you feel about working from home on a (more or less) permanent basis (ignoring any practical difficulties)?**

- **How might different members of your team feel?**

- **Is there any obvious way that it might be possible to determine who might choose to work from one or other location?**

There was one downside for the home workers; their promotion rate, allowing for performance (and their performance was, on average, better than those in the office), was 50% lower than for office-based workers. It may be that they did not want to be promoted as that would mean they had to revert to office working, or that not being visible reduced their 'promotability'. By contrast, the employers benefited from reduced labour turnover, higher productivity and lower costs (of facilities), aggregating to an average of $2,000 per employee in what is still a relatively low wage economy.

From an experimental design perspective, the two locations presented three specific differences which were likely to impact on the employees' experience and performance:

1. The treatment group's lower commuting time meant that they could take care of personal or family responsibilities without taking breaks or leaving early from work, which appears to have had a significant effect. The increase in minutes worked was due to them avoiding travel delays and not having to leave early for doctor's appointments, etc.

2. Treatment workers could not get face-to-face help from their supervisors, which probably reduced their effectiveness (or, rather, limited the improvements in effectiveness).

3. The home working environment was, typically, reported to be quieter but more isolated, reducing the opportunities for social interaction. This caused some employees to be less willing to work from home, but did have positive effects on productivity.

One concern about this experiment was the extent to which it suffered from the **Hawthorne effect**[9] (ie the performance improvements occurring from being part of an experiment). The researchers and the employer were both confident that the improvements were intrinsic to the experience (not extrinsic, due to the experiment itself) and subsequent events showed this to be the case, with the rollout to all eligible employees leading to even higher benefits.

Nevertheless, despite the personal advantages to employees, half the treatment group elected to return to working in the office, despite the higher costs of commuting. They missed the social interaction and were anxious about their promotion chances.

In their conclusions about the experiment, the authors note that the role of call centre worker is particularly suitable for home working, as it does not rely on face to face interactions with other and is susceptible to close data monitoring (both qualitatively - through team leaders listening in to conversations - and quantitatively - measuring the occurrence, frequency and duration of calls). The technology used in the office environment is easily adapted to suit home working. It would be naive to suggest that all jobs are suitable for home working, or that it is possible for all work to be undertaken at home even for those jobs that are suitable.

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9 For more information about the Hawthorne experiments and the effect named after them, look at http://en.wikipedia.org/wiki/Hawthorne_effect (which describes the effect as it is usually perceived to exist) and then look at Steve Draper's notes http://www.psy.gla.ac.uk/~steve/hawth.htmlhttp://psychology.about.com/od/hindex/g/def_hawthorn.htm
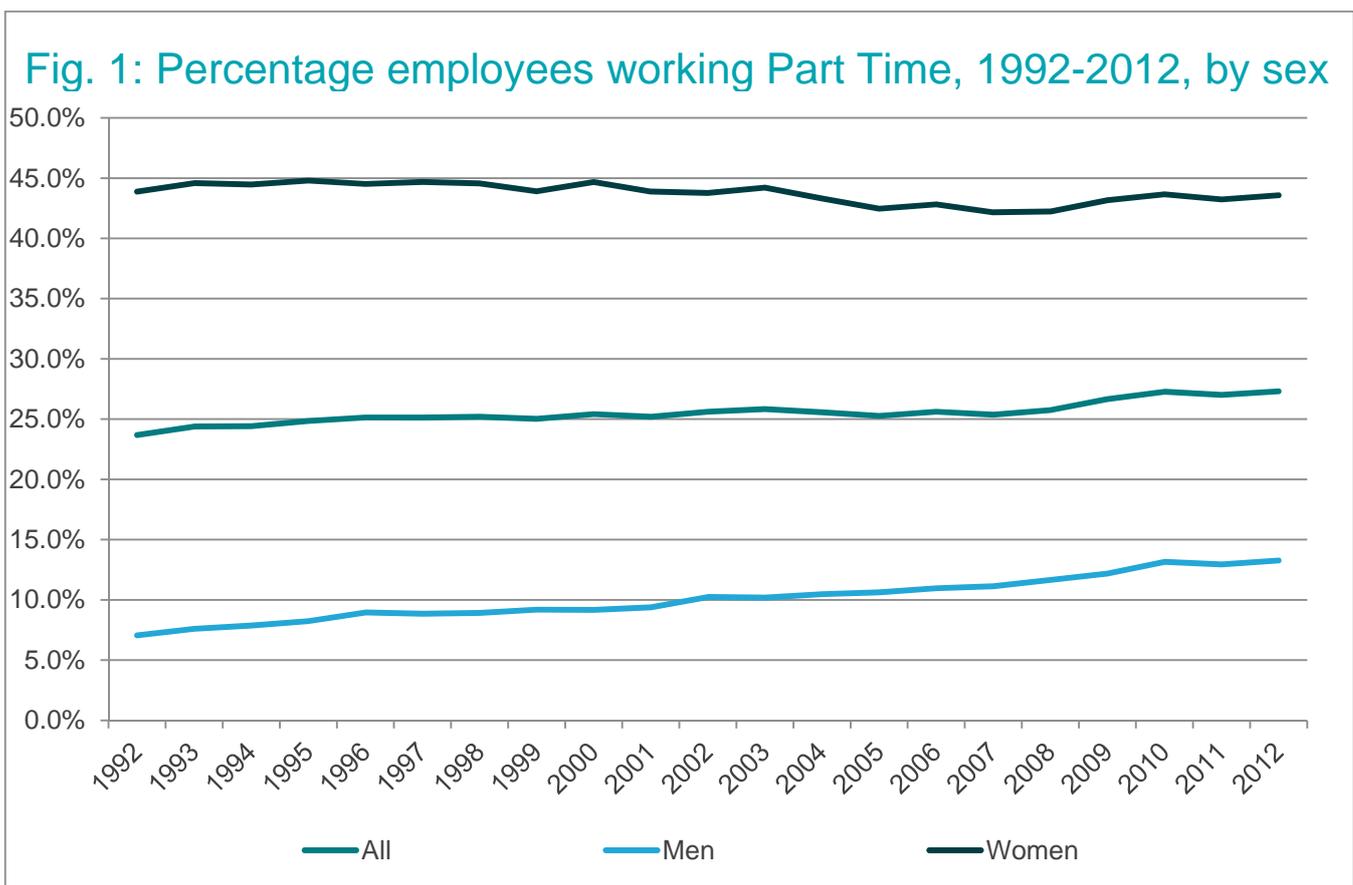
Section B
Employment patterns and trends

B1 UK employment

Data on employment in this section is from the Office of National Statistics (ONS) Labour Market Statistics, January 2013.

There is no national data available on the incidence of any form of flexible working other than part-time working. However, this is instructive in showing how changes have taken place in the pattern of FT and PT working, significantly for men, less so for women (see Figure 1 and Table 3). The data below covers a 20 year period, based on the average of employment numbers in the period September to November of each year (Source: ONS - EMP01: Full-time, part-time and temporary workers[10]). It shows a sustained increase in the numbers working PT over this period, due to the significant increase in the proportion of men working PT, whilst the (much higher) proportion of women working PT has remained virtually unchanged.

Fig. 1: Percentage employees working Part Time, 1992-2012, by sex

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10 http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-222531

Table 3: Employment by mode, Sep-Nov 1992 to Sep-Nov 2012

	All employees					Men					Women				
	FT+PT	FT		PT		FT+PT	FT		PT		FT+PT	FT		PT	
	No.	No.	%	No.	%	No.	No.	%	No.	%		No.	%	No.	%
Sep-Nov 1992	25,406	19,389	76.3%	6,018	23.7%	13,932	12,949	92.9%	982	7.1%	11,475	6,439	56.1%	5,035	43.9%
Sep-Nov 1993	25,319	19,144	75.6%	6,175	24.4%	13,827	12,776	92.4%	1,051	7.6%	11,493	6,369	55.4%	5,124	44.6%
Sep-Nov 1994	25,594	19,347	75.6%	6,247	24.4%	14,022	12,920	92.1%	1,102	7.9%	11,571	6,426	55.5%	5,145	44.5%
Sep-Nov 1995	25,891	19,458	75.2%	6,433	24.8%	14,130	12,966	91.8%	1,164	8.2%	11,761	6,492	55.2%	5,269	44.8%
Sep-Nov 1996	26,177	19,596	74.9%	6,580	25.1%	14,261	12,985	91.1%	1,276	8.9%	11,916	6,612	55.5%	5,304	44.5%
Sep-Nov 1997	26,622	19,934	74.9%	6,688	25.1%	14,527	13,242	91.2%	1,284	8.8%	12,096	6,692	55.3%	5,404	44.7%
Sep-Nov 1998	26,939	20,154	74.8%	6,785	25.2%	14,638	13,333	91.1%	1,304	8.9%	12,301	6,820	55.4%	5,481	44.6%
Sep-Nov 1999	27,270	20,446	75.0%	6,824	25.0%	14,831	13,468	90.8%	1,362	9.2%	12,440	6,978	56.1%	5,462	43.9%
Sep-Nov 2000	27,516	20,522	74.6%	6,994	25.4%	14,923	13,556	90.8%	1,367	9.2%	12,593	6,966	55.3%	5,627	44.7%
Sep-Nov 2001	27,783	20,784	74.8%	6,999	25.2%	15,050	13,639	90.6%	1,411	9.4%	12,733	7,146	56.1%	5,587	43.9%
Sep-Nov 2002	28,030	20,850	74.4%	7,180	25.6%	15,172	13,619	89.8%	1,553	10.2%	12,857	7,231	56.2%	5,626	43.8%
Sep-Nov 2003	28,252	20,957	74.2%	7,295	25.8%	15,269	13,715	89.8%	1,554	10.2%	12,983	7,242	55.8%	5,741	44.2%
Sep-Nov 2004	28,568	21,267	74.4%	7,301	25.6%	15,444	13,827	89.5%	1,617	10.5%	13,124	7,440	56.7%	5,684	43.3%
Sep-Nov 2005	28,786	21,513	74.7%	7,273	25.3%	15,543	13,893	89.4%	1,650	10.6%	13,243	7,620	57.5%	5,624	42.5%
Sep-Nov 2006	29,078	21,631	74.4%	7,447	25.6%	15,709	13,987	89.0%	1,722	11.0%	13,369	7,644	57.2%	5,725	42.8%
Sep-Nov 2007	29,362	21,916	74.6%	7,446	25.4%	15,894	14,126	88.9%	1,768	11.1%	13,468	7,790	57.8%	5,678	42.2%
Sep-Nov 2008	29,361	21,802	74.3%	7,558	25.7%	15,830	13,985	88.3%	1,845	11.7%	13,531	7,818	57.8%	5,714	42.2%
Sep-Nov 2009	28,895	21,193	73.3%	7,702	26.7%	15,400	13,524	87.8%	1,876	12.2%	13,495	7,669	56.8%	5,826	43.2%
Sep-Nov 2010	29,086	21,154	72.7%	7,933	27.3%	15,619	13,566	86.9%	2,053	13.1%	13,467	7,587	56.3%	5,880	43.7%
Sep-Nov 2011	29,128	21,261	73.0%	7,867	27.0%	15,598	13,580	87.1%	2,018	12.9%	13,530	7,682	56.8%	5,849	43.2%
Sep-Nov 2012	29,681	21,574	72.7%	8,106	27.3%	15,929	13,816	86.7%	2,113	13.3%	13,751	7,758	56.4%	5,993	43.6%

In the 20 year period, the number of employees has increased by 16.8%, with FT numbers up 11.3% and PT numbers up 34.7%. When compared by sex of employee, the pattern varies significantly. Male employees have increased by 14.3, female by 19.8%, showing a growth in the participation rate by women, distributed more or less equally between FT (up 20.5%) and PT (up 19.0%) working. By contrast, the increase in male employees is predominantly in PT working (more than doubling at +115.1%), with FT working only up 6.7%.

- **Is this pattern what you expected?**

- **What might explain these changes in employment patterns?**

Since the banking crisis and the subsequent economic downturn, the number of people, both men and women, working PT has increased. The data suggests that this has reversed a slight downwards trend amongst the proportion of women; the trend line for female PT working from 1992 to 2007, projected forward to 2012, suggests that 42.5% of women would now be working PT, whereas the actual proportion is 43.6%, suggesting that this might be the effect of the recession on working patterns. For men the data suggests a similar effect; the long term trend from 1992 to 2007, projected forward, suggests that 12.5% of men would be working part time in 2012, whereas the actual proportion is 13.3%. This suggests that 151,262 women and 127,436 men are working PT who would have preferred to work FT

B2 Shift working, annual and zero hours contracts, and the Working Time Directive

Data in this section is from the *2011 Workplace employment Relations Study (2011 WERS)[11]*.

The research cited previously, and ILM's own research covered a broad range of flexible working. This 2011 WERS study looked at some formal methods of flexible working that range from the well established (shift working) to the fairly recent (zero hours contracts, whereby employees have no specific commitment from the employer for them to work any hours at all).

The fieldwork for the sixth WERS took place from March 2011 to June 2012. A total of 2,680 workplaces were surveyed, with a number of different respondents in each, including:

- 2,680 managers (a 90 minute face-to-face interview)
- 1,002 employee representatives, 797 of whom were union representatives (30 minute face-to-face or telephone interview)
- 21,981 employees; in workplaces with 25 or fewer employees, all were given the questionnaire and in larger workplaces, 25 employees were randomly selected to participate

The overall 2011 WERS sample is representative of all British workplaces with 5 or more employees. This population accounts for 35% of all workplaces and 90% of all employees in Britain.

From 2004 (when the previous WERS was published) to 2011, the proportion of workplaces where at least some employees worked **shift**s rose from 24% to 32%. Its increased use in smaller workplaces was the main reason for the increase overall, although firms employing more than 50 people (where shift working is far more prevalent) not significantly increasing its use.

The workplaces where it increased most were in the service industries:

- *Wholesale and retail* (from 19% of workplaces in 2004 to 30% in 2011)
- *Hotels and restaurants* (47% to 74%)
- *Education* (7% to 24%)

The proportion of workplaces where some employees were on **annual hours contracts** almost doubled, from 4% in 2004 to 7% in 2011. These contracts are far

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11 The 2011WERS is conducted by Department for Business, Innovation and Skills (BIS), the Economic and Social Research Council (ESRC), the Advisory, Conciliation and Arbitration Service (Acas), the UK Commission for Employment and Skills (UKCES), and the National Institute of Economic and Social Research (NIESR). It is available from: www.gov.uk/government/publications/the-2011-workplace-employment-relations-study-wers

more common in larger workplaces than smaller - 20% of workplaces with 100 or more employees used annual hours contracts compared with just 5% of workplaces with fewer than 50 employees.

The *Hotels and restaurants* and *Other business services* sectors were most likely to have introduced annual hours contracts between 2004 and 2011. In 2004 only 1% of workplaces in either sector used them but by 2011 this had increased to 7% in *Hotels and restaurants* and 6% in *Other business service*s. Again, as with shift working, it is smaller workplaces(up from 1% to 6%), that are driving the increase in in the use of annual hours contracts, despite their use still being lower than in larger employers.

There was also a doubling in the proportion of workplaces that had some employees on **zero hours contracts** (up from 4% in 2004 to 8% in 2011), although they are still not widely used. The growth, this time, was driven by larger workplaces, up from 11% of workplaces with 100+ employees in 2004 to 23% in 2011. Again it was the *Hotels and restaurants* sector that was the most active in introducing these contracts (up from 4% to 19% in the seven year period), as well as the *Education* sector (from 1% to 10%).

32% of British workplaces have at least one employee who has signed an opt-out agreement from the EU **Working Time Directive**[12]. In 21% of workplaces, all the managers, and in 15% of workplaces all the employees (including managers) had agreed to an opt-out (this latter accounting for 12% of all UK employees).

These agreements were more likely to be found in private sector workplaces, where 34% had at least one employee who had signed an opt-out, compared with 15% of workplaces in the public sector. In *Other business services* (non-financial professional occupations, such as lawyers) 42% of workplaces to reported having at least one employee signing an opt-out agreement (42%). Hours worked were longer in workplaces that use opt-out agreements, averaging 43 hours per week in those where all employees had signed an opt-out, compared to 39 hours per week where no-one had.

- **Does your organisation use any of these forms of flexible working, and/or have you or any of your colleagues opted out of the Working Times Directive?**

- **What benefits do employees and employers get from any of these forms of flexible working?**

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12 There is a very useful guide to the Directive at www.hse.gov.uk/contact/faqs/workingtimedirective.htm . The Working Time Directive (brought into UK law in 1998) limits the working week to 48 hours, averaged over a 17-week period