

Workplace Flexibility: Information and Options for Small Businesses

Introduction

Workplace flexibility is often described as the outcome of employers and employees working together to determine when, where and how much an employee works, with a view toward meeting both individual and business needs. While all workers struggle to juggle work and personal life, the challenge is even greater for hourly, low-wage workers, who often have the least amount of flexibility at work and experience unpredictability and instability in work schedules.¹ Considering these challenges, there are specific workplace flexibility arrangements that may serve hourly, low-wage workers best. These can include shift flexibility, employee scheduling, and just-in-time flexibility.² Small businesses have already adopted many of these practices and are therefore better at providing flexibility for hourly workers. In fact, according to the *2015 Economic Report of the President*, small firms provide more flexibility than large firms across five dimensions of flexibility: changing starting and quitting times, working regular hours at home occasionally, having control over breaks, returning to work gradually after childbirth or adoption, and taking time off during the work day to tend to family or personal needs without losing pay.³ For salaried high-wage workers, workplace flexibility is often more accessible and can involve a variety of arrangements, including flextime, teleworking and compressed workweeks, as well as job-sharing and other reduced-work arrangements.⁴

A flexible workplace is critical to business success. Flexibility is a powerful management tool that can be used to accomplish work more efficiently while helping employees manage the demands of work and home. Employers with flexible workplace policies also have a competitive advantage in attracting and retaining top talent.⁵ At its best, workplace flexibility is a natural component of an organization's culture, whereby employees and managers work together to discover a variety of creative and mutually beneficial ways to schedule and accomplish work.

¹ Watson, L. & Swanberg, J. 2011. "Flexible Workplace Solutions for Low-Wage Hourly Workers: A Framework for a National Conversation." Workplace Flexibility 2010 & Institute for Workplace Innovation. Retrieved from: <http://workplaceflexibility2010.org/images/uploads/whatsnew/Flexible%20Workplace%20Solutions%20for%20Low-Wage%20Hourly%20Workers.pdf>.

² Roundtree, L. & Kerrigan, K. 2009. "Flex-Options Guide: Creating 21st Century Workplace Flexibility." Retrieved from: http://www.roundtreeconsulting.com/assets_d/20110/download_media/2009-flex-options-guide_122.pdf. (Developed as part of a contract with the U.S. Department of Labor Women's Bureau.)

³ White House. 2015. "Economic Report of the President." Retrieved from: https://www.whitehouse.gov/sites/default/files/docs/cea_2015_erp.pdf.

⁴ Ibid.

⁵ Council of Economic Advisers (White House). 2014. "Work-Life Balance and the Economics of Workplace Flexibility." Retrieved from: https://www.whitehouse.gov/sites/default/files/docs/updated_workplace_flex_report_final_0.pdf.

Flexibility can also be used to reduce the carbon footprint and to help keep employees engaged and committed when a business's focus changes or when budgets are tightened.⁶

The Business Case for Workplace Flexibility

According to the *2015 Economic Report of the President*, one component of an effective workplace is access to family-friendly workplace policies.

The direct and indirect costs associated with employee turnover can be considerable. For example:

- In organizations with fewer than 1,000 employees, hiring costs \$3,079 per hire.⁷
- A worker's absence because he or she does not have the flexibility to balance work and personal needs can be a significant cost for businesses. In fact, according to "Absenteeism: The Bottom-Line Killer," a publication of workforce solutions company Circadian, unscheduled absenteeism costs roughly \$3,600 per year for each hourly worker and \$2,650 per year for each salaried employee.⁸

Given the considerable costs associated with recruitment, hiring, training and unnecessary absenteeism, flexible work policies can potentially pay for themselves. Employees who have flexible work options are more engaged and loyal. Indeed, employers that have adopted flexible workplace practices cite many benefits, such as reduced worker absenteeism and turnover, improved ability to attract and retain workers, and other positive changes that translate into increased worker productivity.⁹ Specifically, studies have found the following results:

- Workers with flexible work arrangements report a "high likelihood" of remaining with their employers for the following year.¹⁰
- A positive relationship between workplace flexibility and worker productivity.^{11 12 13}

⁶ Roundtree, L. & Kerrigan, K. 2009. "Flex-Options Guide: Creating 21st Century Workplace Flexibility." Retrieved from: http://www.roundtreeconsulting.com/assets_d/20110/download_media/2009-flex-options-guide_122.pdf. (Developed as part of a contract with the U.S. Department of Labor Women's Bureau.)

⁷ Society for Human Resource Management. 2011. "Executive Brief: What Factors Influence Cost-per-Hire?" Retrieved from: http://www.shrm.org/research/benchmarks/documents/cost-per-hire%20article_final.pdf.

⁸ Circadian. 2005. "Absenteeism: The Bottom-Line Killer." Retrieved from: <http://www.workforceinstitute.org/wp-content/themes/revolution/docs/Absenteeism-Bottom-Line.pdf>.

⁹ Council of Economic Advisers (White House). 2014. "Work-Life Balance and the Economics of Workplace Flexibility." Retrieved from: https://www.whitehouse.gov/sites/default/files/docs/updated_workplace_flex_report_final_0.pdf.

¹⁰ Ibid.

¹¹ Ibid.

¹² Bloom, N., Kretschmer, T. & Van Reenan, J. (2006). "Work-life balance, management practices and productivity," Centre for Economic Performance special papers, CEPSP16. Centre for Economic Performance, London School of Economics and Political Science.

- Workers in flexible workplaces are more likely than other employees to have high levels of engagement in their jobs. They also have stronger intentions to remain with employers.¹⁴
- Workplace flexibility can also save businesses money during emergencies and weather-related disruptions. For instance, the Federal Government’s telecommuting policies—which require employees who have previously arranged to telework to continue working even when the government is closed for weather emergencies—saved more than \$30 million a day, and \$150 million over the winter, during snow-related closures in 2009 and 2010.¹⁵

In the Society for Human Resource Management’s 2014 Workplace Flexibility survey, the vast majority of employers reported that offering flexible work options has a positive impact on recruitment and retention, the employee experience, and organizational success.¹⁶

Impact Area	Percent of Employers Indicating a “positive” or “somewhat positive” Impact
Quality of personal/family life	84%
Engagement	80%
Retention	75%
Intent to stay	74%
Productivity	67%
Company culture	63%
Recruitment	61%
Quality of work	59%
Absenteeism rates	56%
Turnover	52%
Health and wellness	52%
Public image as employer of choice	52%

Source: SHRM’s 2014 Workplace Flexibility- Strategic Use of Flexible Work Arrangements

Small Business Facts

Small businesses,¹⁷ which employ about one-half of the nation’s private-sector labor force,¹⁸ are more likely to have better workplace flexibility policies. Specifically, the smallest businesses

¹³ Bloom, N. & Van Reenen, J. 2010. “Why Do Management Practices Differ across Firms and Countries?” *Journal of Economic Perspectives*, 24(1): 203–24.

¹⁴ Matos, K. & Galinsky, E. 2014. “2014 National Study of Employers.” Families and Work Institute. Retrieved from: <http://familiesandwork.org/downloads/2014NationalStudyOfEmployers.pdf>.

¹⁵ Office of Disability Employment Policy (U.S. Department of Labor). 2013. “The Business Case for Workplace Flexibility.” Retrieved from: <http://www.dol.gov/odep/pdf/BusCaseWorkFlex.pdf>.

¹⁶ Society for Human Resource Management. 2014. “2014 Workplace Flexibility Survey - Strategic Use of Flexible Work Arrangements (FWAs).” Retrieved from: <http://www.shrm.org/research/surveyfindings/articles/pages/2014-workplace-flexibility-survey-strategic-use-of-flexible-work-arrangements-%28fwas%29.aspx>.

(those with 50 to 99 employees nationwide) are more likely than businesses with 1,000 or more employees to allow employees to change starting and quitting times, telework, determine their break time and offer paid leave.¹⁹ Importantly, small business employees that have access to formal workplace flexibility policies actually report a greater level of job satisfaction and commitment to their employer.²⁰

Myth Busters

A prominent barrier to expanding the implementation of workplace flexibility practices is a lack of knowledge about the benefits to both employers and workers, as well as misunderstanding about how such practices work. Below are common myths about workplace flexibility, alongside some studies disproving them.

Myth	Fact
Flexible workplace strategies are only for certain groups, such as individuals with disabilities or women. ²¹	Workplace flexibility is a universal strategy that is beneficial to all workers. Working parents, caregivers, older workers and individuals with disabilities may especially benefit. For example, in a 2014 survey of high-skilled working fathers conducted by Boston College, 89 percent said that the availability of paid paternity leave was an important consideration in seeking a new job if they planned to have another child. Likewise, 95 percent reported that workplace flexibility policies allowed them to actively engage with their children. ²²
Workplace flexibility is too expensive, especially for small businesses.	Small businesses that offer flexible work options have lower rates of employee

¹⁷ The U.S. Small Business Administration defines small businesses as companies with fewer than 500 employees or less than \$7.5 million in average annual receipts. U.S. Small Business Administration. 2014. "Summary of Size Standards by Industry Sector." Retrieved from: <https://www.sba.gov/content/summary-size-standards-industry-sector>.

¹⁸ Klayman D., Gatta M. & Herbert, D. 2011. "Fact Sheet: Small Businesses and Workplace Flexibility." (Unpublished resource developed as part of a contract with the U.S. Department of Labor Women's Bureau.)

¹⁹ Matos, K. & Galinsky, E. 2014. "2014 National Study of Employers." Families and Work Institute. Retrieved from: <http://familiesandwork.org/downloads/2014NationalStudyOfEmployers.pdf>.

²⁰ Richman, A., Johnson, A. & Noble, K. 2011. "Business Impacts of Flexibility: An Imperative for Expansion." Corporate Voices for Working Families. Retrieved from: https://www.wfd.com/PDFS/BusinessImpactsofFlexibility_March2011.pdf.

²¹ Office of Disability Employment Policy (U.S. Department of Labor). 2013. "The Business Case for Workplace Flexibility." Retrieved from: <http://www.dol.gov/odep/pdf/BusCaseWorkFlex.pdf>.

²² Council of Economic Advisers (White House). 2014. "Work-Life Balance and the Economics of Workplace Flexibility." Retrieved from: https://www.whitehouse.gov/sites/default/files/docs/updated_workplace_flex_report_final_0.pdf.

	turnover and absenteeism, resulting in reductions in the cost of employee recruitment and paid sick leave. ²³
Offering flexibility to low-wage employees isn't worth the investment.	When low-wage employees are given the same consideration as higher-wage employees, employers get a workforce that is more satisfied and engaged with its work, has less home interference with work, and is more likely to stay with the current employer. ²⁴ Any investment will be returned in greater loyalty, lower turnover and more engagement at work. ²⁵

Policies that Work

Three policies that have been proven to work for both employers and employees are paid leave, paid sick days and flexible scheduling. Below is a brief discussion of each.

Paid Leave

One of the most important steps society can take to help small businesses compete for and retain good workers is to establish paid leave programs. Today, about 34 million of America's working families have young children, and more than 25 million workers provide unpaid elder care—both are major life responsibilities that may require absences from work.²⁶ Nearly 60 percent of U.S. workers are eligible for leave under the Family and Medical Leave Act (FMLA), which entitles eligible employees of covered employers to take unpaid, job-protected leave for specified family and medical reasons with continuation of group health insurance coverage under the same terms and conditions as if the employee had not taken leave.²⁷ However,

²³ Klayman D., Gatta M. & Herbert, D. 2011. "Fact Sheet: Small Businesses and Workplace Flexibility." (Unpublished resource developed as part of a contract with the U.S. Department of Labor Women's Bureau.)

²⁴ Office of Disability Employment Policy (U.S. Department of Labor). 2013. "The Business Case for Workplace Flexibility." Retrieved from: <http://www.dol.gov/odep/pdf/BusCaseWorkFlex.pdf>.

²⁵ Richman, A., Johnson, A. & Noble, K. 2011. "Business Impacts of Flexibility: An Imperative for Expansion." Corporate Voices for Working Families. Retrieved from: https://www.wfd.com/PDFS/BusinessImpactsofFlexibility_March2011.pdf.

²⁶ Lyles, L. September 24, 2014. "In Support of Paid Leave: 25 Million Stories." U.S. Department of Labor Blog. Retrieved from: <https://blog.dol.gov/2014/09/24/in-support-of-paid-leave-25-million-stories/>.

²⁷ Office of the Press Secretary (White House). January 14, 2015. "Fact Sheet: White House Unveils New Steps to Strengthen Working Families Across America." Retrieved from: <https://www.whitehouse.gov/the-press-office/2015/01/14/fact-sheet-white-house-unveils-new-steps-strengthen-working-families-acr>.

potentially millions of workers cannot afford to take unpaid leave because of the large loss of income it entails.²⁸

Paid leave offers a number of benefits to employees and employers.²⁹ Paid leave raises the probability that mothers will return to work after giving birth, work longer hours and earn higher wages.³⁰ Other workers benefit when they can take leave to care for family or their own serious health needs, and businesses benefit because they are able to retain these experienced workers rather than bearing high turnover costs. California, New Jersey, and Rhode Island have implemented state paid leave programs. Below are descriptions of California's and New Jersey's programs, along with studies about their successful implementation.

- **California's** law, now over a decade old, has been shown to have positive or at least no negative effects on businesses, especially small businesses. California passed the Paid Family Leave (PFL) program on September 23, 2002. The law took effect on July 1, 2004, and provides eligible employees up to six weeks of wage replacement leave at 55 percent of their usual weekly earnings, up to a cap. The program is funded by an employee-paid payroll tax, with no direct cost to employers and benefit levels indexed to inflation. A survey of California employees and employers from 2009 and 2010 found that small businesses were less likely than larger establishments (those with more than 100 employees) to report any negative effects of PFL.³¹ Among workers in low-quality jobs, use of PFL increased retention: 83 percent returned to the same employer, compared with 74 percent of those who did not use PFL. Lastly, over 91 percent of surveyed employers with less than 100 employees reported that PFL had a "positive effect" or "no noticeable effect" on profitability, performance, turnover and morale.³²
New Jersey, in 2009, became the second state to provide workers with paid family leave. Under the law, covered workers are eligible for six weeks of partial (66 percent)

²⁸ Council of Economic Advisors (White House). 2014. "The Economics of Paid and Unpaid Leave." Retrieved from: http://www.whitehouse.gov/sites/default/files/docs/leave_report_final.pdf; Klerman, J., Daley, K. & Pozniak, A. 2012. "Family and Medical Leave in 2012: Technical Report." Retrieved from: <http://www.dol.gov/asp/evaluation/fmla/FMLA-2012-Technical-Report.pdf>. A survey conducted for the U.S. Department of Labor found that about 16 percent of all workers in 2011 said they needed leave to care for themselves or a family member. About half of them took fully paid leave, but the other half had only partial pay or no pay at all, or couldn't afford to take any leave because it would be unpaid. Six in ten workers who took partially paid or unpaid leave reported difficulty making ends meet; nearly half of these workers were forced to cut their leaves short due to financial constraints. This could mean that millions of workers in the U.S. who need family leave are getting only partial pay, no pay, or do not take leave they need because they can't afford to do so.

²⁹ Van Giezen, R. 2013. "Paid leave in private industry over the past 20 years." Retrieved from: <http://www.bls.gov/opub/btn/volume-2/paid-leave-in-private-industry-over-the-past-20-years.htm>.

³⁰ Budig M. & England P. 2001. "The Wage Penalty for Motherhood." *American Sociological Review*, 66(2): 204-25.

³¹ Appelbaum, E. & Milkman, R. 2011. "Leaves that Pay: Employer and Worker Experiences with Paid Family Leave in California." Center for Economic and Policy Research. Retrieved from: <http://www.cepr.net/documents/publications/paid-family-leave-1-2011.pdf>.

³² Ibid, 8.

wage replacement (up to a cap) in the 12 months after becoming a parent, or anytime to care for an ill family member.³³ Under the program, all employees in New Jersey whose employers are subject to the New Jersey Unemployment Compensation law are covered, regardless of the number of employees.³⁴ Family leave Insurance is available to workers with at least 20 calendar weeks of covered employment and at least \$8,300 in earnings in the 52 weeks preceding leave.³⁵ The program is funded through employee contributions—workers contribute 0.09 percent of their first \$32,000 in earnings. According to a study by the Center for Economic and Policy Research, while there were concerns before implementation, especially from the small business community, regarding the administration of the family leaves and general operations, interviews of New Jersey employers since the program went into effect have found that “it’s business as usual”: the paid family leave program has had little effect on most aspects of business operations.³⁶

Paid Sick Days

Nearly half of those who work for smaller businesses do not have access to paid sick days to use to recover from an illness or care for a sick family member.³⁷ This is especially true for low-wage workers who can’t afford a day off without pay and are forced to come to work sick, potentially spreading illness to coworkers and customers. Paid sick days create a healthier work environment by encouraging workers to stay home when they are sick, making them less likely to infect others and cause further productivity loss. Paid sick days result in reduced turnover, which leads to reduced costs incurred from advertising, interviewing and training new hires.³⁸ Paid sick days also help minimize the productivity lost when employees work sick—known as “presenteeism”—which is estimated to cost our national economy \$160 billion annually. This surpasses the cost of absenteeism due to poor health, which, according to recent Gallup Poll

³³ White House. 2015. “Economic Report of the President.” Retrieved from: https://www.whitehouse.gov/sites/default/files/docs/cea_2015_erp.pdf.

³⁴ Lerner, S. & Appelbaum, E. 2014. “Business As Usual: New Jersey Employers’ Experiences with Family Leave Insurance.” Center for Economic and Policy Research. Retrieved from: <http://www.cepr.net/documents/nj-fli-2014-06.pdf>.

³⁵ Ibid.

³⁶ Ibid.

³⁷ Bureau of Labor Statistics (U.S. Department of Labor). 2014. “Table 6. Selected paid leave benefits: Access, National Compensation Survey, March 2014.” Retrieved from: <http://www.bls.gov/news.release/pdf/ebs2.pdf>. In this publication, BLS defines “small establishments” as those with fewer than 100 employees.

³⁸ Meyer, C.S., Mukerjee, S. & Sestero, A. 2001. “Work-Family Benefits: Which Ones Maximize Profits?” *Journal of Managerial Issues*, 13(1): 28-44.

estimates, is around \$84 billion.^{39 40} Evidence also suggests that, on balance, paid sick days do not lower business profits.⁴¹

Scheduling

In their framework for a national conversation on hourly flexibility, researchers at Georgetown University Law Center and the University of Kentucky Institute for Workplace Innovation described three types of scheduling challenges: rigid workplaces, unpredictability, and instability. For instance, just-in-time scheduling is centered on customer demand and occurs with little advance notice, resulting in high levels of unpredictability. Rigid scheduling does not allow for flexibility in start or stop times or when an employee can take leave.⁴² Recently, lawmakers at the federal, state, and local levels have introduced legislation to respond to these difficult scheduling practices. Therefore, three important types of flexibility can minimize the scheduling challenges that workers—especially low-wage, hourly workers—experience. These flexibilities are shift flexibility, employee scheduling, and just-in-time flexibility.⁴³ More Information about these practices can be found in the table accompanying this guide.

³⁹ Stewart, W. *et al.* 2003. “Lost Productive Work Time Costs From Health Conditions in the United States: Results From the American Productivity Audit.” *Journal of Occupational and Environmental Medicine*, 45(12): 1234-46.

⁴⁰ Witters, D. & Liu, D. 2013. “In U.S., Poor Health Tied to Big Losses for All Job Types.” Gallup. (Reporting findings based on polling as part of the Gallup-Healthways Well-Being Index.)

⁴¹ White House. 2015. “Economic Report of the President.” Retrieved from: https://www.whitehouse.gov/sites/default/files/docs/cea_2015_erp.pdf.

⁴² Statement by Joan C. Williams during panel presentation on hourly workers at the National Dialogue on Workplace Flexibility, February 17, 2011, Pasadena, CA.

⁴³ Women’s Bureau (U.S. Department of Labor). 2014. “Flexibility Fact Sheet: Hourly Workers.” (Unpublished resource developed as part of a contract with the U.S. Department of Labor Women’s Bureau.)