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## The Flex Factor

Realising the value of  
flexible working

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# Key findings

## The adoption of flexible working in the UK

- The majority (77 percent) of UK employees work in organisations that provide some kind of flexible working. The most common types are home working and flexi-time
- The voluntary sector leads the private and public sector in terms of adoption. However the extent and nature of adoption varies widely between and within sectors, by size of organisation, and by seniority of staff
- Half of employees work in organisations with formalised flexible practices
- Attitudes are broadly in favour of adoption. Two thirds of those who have tried flexible working feel that it has enhanced their job satisfaction
- However there are also concerns about its potential downsides and managers are often passive or ambivalent.
- Organisations are investing in Information Communications Technology (ICT) hardware and software to provide a more flexible infrastructure, but it remains a significant barrier to greater adoption
- Organisations fall into four segments in terms of the extent and nature of their flexible working practices: Culture-driven; Technology-focused; Follower; and Non-adopter
- Employees fall into five segments, from Advocate to Sceptic
- Understanding the specific organisational and employee context through diagnostic research is key to developing a bespoke organisational approach to flexible working

## The value of flexible working

- An optimal flexible working environment comes about as a result of a partnership between employers and employees
- Individual benefits
  - Cost savings: time and money (eg spent commuting)
  - Personal productivity: improved focus, concentration, and creativity, and better utilisation of skills
  - Work-life balance: keeping up with caring and family responsibilities
  - Wellbeing: happiness and health
- Organisational benefits
  - Innovation: a correlation between perceived innovative capacity and flexibility

- Productivity: 5.1 productive hours per week gained per employee, equating to c. £4200 per annum per employee
- Cost savings: £650 per annum/per employee saving on desk space; £100 on printing
- Skills utilisation: a significant correlation between better utilisation of skills and flexibility
- Overall: flexible working accounts for 5 percent of organisational performance
- Indicative potential national benefits (subject to caveats in chapter 2)
  - Value of productive hours gained: £6.9bn
  - Workstation savings: £1.1bn
  - Printing cost savings: £150m
- Reported costs and drawbacks: fear of work intensification, and reduced performance, if flexible working is not properly managed; organisational costs and complexities of creating a flexible environment for employees
- Optimised approaches to flexible working are needed, that fit the organisational context. The ‘tipping point’ where flexibility becomes a net cost, rather than a benefit, is different for each organisation
- More accurate measurement and evaluation is critical if organisations are to adopt an optimal flexible working strategy

### **The future context for work flexibility**

- ‘Futures’ literature highlights trends that are likely to shape the context of work
- These anticipate a more dynamic, flexible but also polarised labour market
- Those with advanced abilities and resources may flourish, but many others may face chronic underemployment
- Flexible working is likely to grow in future as organisational boundaries open up. To derive the maximum benefit it needs to be adopted strategically, based on a ‘strong’ mutual commitment between employer and employee
- We propose four ways in which this can be achieved: reinventing the psychological contract; innovation in human capital measurement; innovation in work; and investment in flexible infrastructure

### **Recommendations for better flexibility**

- A number of recommendations are made to increase the extent and ‘strength’ of flexible working
- Recommendations are made for each of the priorities identified in the future scan. These include the following:

- Promotion of strategic, 'strong' adoption by government, trade unions, professional institutes, trade associations and other interested parties
- Development of better diagnostic tools to evaluate better ways of working
- The establishment of a work innovation fund
- Contribution to the skills and knowledge development agenda
- New support packages for professional and trade freelancers

# Introduction

## The world at work

The economic upheaval and institutional failings of recent years have prompted two kinds of response, both of which are to be expected in the wake of major disruption.

One has been to maintain or restore the status quo. Some in industry and financial services have sought to safeguard the incentives and structures that serve their interests, if not necessarily others'. Politicians have resisted significant constitutional reform and watched nervously as the political system continues to creak and strain. Public sector workers have fought to preserve employment conditions which, while laudable in principle, may no longer be affordable in practice.

The other response has been to challenge and disrupt, rather than conserve. From the emergence of alternative financial services such as peer lending sites, to the sudden proliferation of free schools, we're seeing a wave of institutional innovation.

But for all the scrutiny on the structure and function of the institutions that we rely on, relatively little attention is paid to the way we actually work within them: the day-to-day reality of working life.

Yet over the course of the last 20 years so much has changed around us. In that time the global population has grown, aged, mixed and become densely connected through transport, culture and technology. Economic prosperity has shifted towards a reliance on intangible assets, as opposed to purely physical ones. Society has become more diffuse and diverse but also, arguably more fragmented and less solidaristic. The planet's ecology bears the brunt of a heaving, consumerist and polluting population.

The occupational context has changed too. Competition is increasingly global, and skills require constant upgrading. At the sharp end of the labour market many jobs have simply disappeared through innovation, automation, simplification or outsourcing. At the other end of the spectrum, high value work has intensified and become more complex, enabled by the growth of communications technology. The result has been a growing polarisation of income and advantage.

We are witnesses to an unfolding revolution in communications technology that has massively extended our professional capabilities, but also rendered obsolete a whole swathe of occupations.

Yet most of us work in rhythms that would be familiar to our parents and grandparents. We commute on crowded trains, buses and cars, work in an office all day alongside the same colleagues and return home in the evening: to socialise, spend time with the family or just collapse in front of the TV.

## From fixed to flexible working

It is only relatively recently that this predictable world has started to move with the times. The most obvious example is flexible working.

*At the sharp end of the labour market many jobs have simply disappeared through innovation, automation, simplification or outsourcing*

The Chartered Institute of Personnel Directors (CIPD)<sup>1</sup> defines flexible working as follows:

“A type of working arrangement which gives some degree of flexibility on how long, where and when employees work. The flexibility can be in terms of working time, working location and the pattern of working.”

The adoption of flexible working practices such as remote working, compressed hours and job shares has grown rapidly over the last decade<sup>2</sup>. Initially it was perhaps something of a management perk, but it was also strongly championed by the last government, particularly as a way to help workers with parental or caring responsibilities to stay in work.

It has since grown to become a relatively mainstream part of organisational life. And a growing evidence base<sup>3</sup> shows that flexible working practices can bring real benefits for both employees and organisations.

This is clearly important from an economic perspective, given the current context of near-zero growth. The Office of National Statistics (ONS) has estimated that the UK’s human capital – our collective knowledge, skills and capabilities – is worth around £17 trillion. This is more than two and a half times the value of our physical, or ‘tangible’ assets. Even marginal improvements in productivity, efficiency or innovation through better ways of working could generate major economic returns.

Furthermore, as the notion of happiness and wellbeing become more central to the way we approach economics, the social benefits of working in more enlightened ways become all the more relevant.

But alongside the potential benefits, doubts and concerns about the downsides of flexible working have accompanied its growth.

This report presents a snapshot of the extent and nature of flexible working in UK organisations, as experienced by both employees and managers.

In conducting this research we had three primary aims:

1. To understand how organisations are presently adopting flexible working
2. To determine what kind of value it brings, and whether social and economic benefits may be connected in some way
3. To help organisations and individuals reflect critically on whether and how they should adopt flexible working, to best fit their particular circumstances

A secondary aim was to trial a benchmarking survey as a way to improve the way we capture information about the value of alternative ways of working.

1. “Flexible working”. CIPD Factsheet: [www.cipd.co.uk/hr-resources/factsheets/flexible-working.aspx](http://www.cipd.co.uk/hr-resources/factsheets/flexible-working.aspx)

2. “CBI survey highlights growth of flexible working” Daily Telegraph Online: 08 Sep 2008 [www.telegraph.co.uk/finance/economics/2795855/CBI-survey-highlights-growth-of-flexible-working.html](http://www.telegraph.co.uk/finance/economics/2795855/CBI-survey-highlights-growth-of-flexible-working.html)

3. Golden, L (2011): The effects of working time on productivity and firm performance: a research synthesis paper. International Labour Organisation: [www.ilo.org/wcmsp5/groups/public/---ed\\_protect/---protrav/---travail/documents/publication/wcms\\_187307.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/publication/wcms_187307.pdf)

Our ultimate purpose is both economic and humanistic. We want to see organisations and workers work in better and healthier ways.

### **This project**

This report describes a pilot project, sponsored by Vodafone, to study the adoption of flexible working. In April 2013 the RSA conducted a national online survey of 2,828 employees and senior managers to gauge the extent and nature of flexible working practices in UK organisations. The wider aim was to understand its impacts and pilot a benchmarking tool to help organisational decision-makers optimise, rather than merely increase, their use of flexible working. To read more about the methodology please see the Appendices.

### **This report**

This report describes the findings from our survey research.

- Chapter 1: describes the extent of flexible working and variations in its adoption
- Chapter 2: gauges the value of flexible working, from the individual to the national level
- Chapter 3: looks at how emerging trends may shape the future of flexible working
- Chapter 4: lays out some conclusions and recommendations.
- Appendix: explains our methodology

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# 1. The adoption of flexible working

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This chapter draws on our survey findings to describe the extent of flexible working adoption in UK organisations, and identify how it varies across sectors, industries and other variables. It largely reinforces existing research that shows how flexible working has become a mainstream organisational practice. But it highlights variations and gaps in adoption, as well as opportunities to take a more tailored approach.

## 1.1 The extent of flexible working

As regular, large-scale survey research shows (eg Regus 2012,<sup>4</sup> WERS 2011<sup>5</sup>), the majority of UK employers now offer their employees some kind of flexible working arrangements.

In our representative survey of 2,828 employees and senior managers, 77 percent reported that flexible working arrangements of one kind or another are available in their workplace.

Over half (55 percent) of employees reported that they could work flexibly with or without their manager's approval and/or have flexibility built into their job design.

Among those employees whose organisations do not offer flexible working (ie 23 percent, n = 654), well over half (57 percent) would take it up if it were available. This means in effect that around one in ten (13 percent) of the overall working population are not working in the way they would prefer. As we will see when we look at the value of flexible working, closing such 'adoption gaps' even slightly could have significant organisational and individual benefits.

4. Flexibility drives productivity: Regus Report (February 2012)  
[www.regus.co.uk/images/Flexibility%20Drives%20Productivity\\_tcm7-49367.pdf](http://www.regus.co.uk/images/Flexibility%20Drives%20Productivity_tcm7-49367.pdf)

5. The 2011 Workplace Employment Relations Study (WERS). (2011) BIS.  
[www.gov.uk/government/publications/the-2011-workplace-employment-relations-study-wers](http://www.gov.uk/government/publications/the-2011-workplace-employment-relations-study-wers)

## The Flexible Working Index

In order to capture a wide range of indicators of flexible working, but also develop an equal and holistic basis for comparison between organisations, we have designed the survey and analysed the data to create a Flexibility Index or “Flex Factor”. This is a combined score for an organisation, ranging from 1–5 (low to high), which reflects the extent of its adoption of a range of flexible working practices. It is based on the self-reports of employees in the survey. The overall score is derived from the mean scores of the ten dimensions of flexible working practice captured in the survey, and listed below:

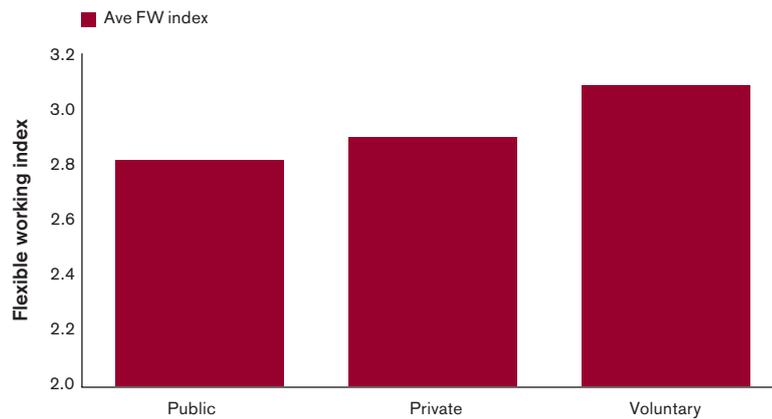
| Dimension             | Description   |
|-----------------------|---|
| Formalisation         | Degree to which flexible working has been formalised and implemented, such as inclusion in the organisation’s policy documents.   |
| Managers’ attitudes   | Awareness and understanding of the organisation’s flexible working policies, advocacy amongst employees and encouragement by example to make good use of flexible working arrangements. |
| Recruitment           | Flexible working features in the organisation’s recruitment activities including internal and external job advertising.   |
| Employment contract   | The extent to which flexible working features in job design including job descriptions and employment contracts and autonomy to put these into practice.                                |
| Employees’ attitudes  | Favourability of attitudes towards flexible working within the organisation (aspect of organisational culture).   |
| Satisfaction          | The influence of flexible working on job satisfaction.  |
| Time flexibility      | Proportion of people in the organisation who have some degree of flexibility over the times of the day/week that they work.   |
| Location flexibility  | Proportion of people in the organisation who are permitted to work some of the time in a non-office location.   |
| Employer ICT devices  | A measure of the number of types of IT and communication devices that are used to work flexibly and whether these are provided by the employer or employee.                             |
| Employer ICT services | A measure of the number of types of IT and communication services that the employer provides for working flexibly.  |

The score ranges from 1–5 (low-high) so that an organisation or industry scoring 4.2 is providing a great deal more work flexibility than one scoring 2.8.

### Adoption by sector

Within the overall picture there are some statistically significant variations between sectors. Among those whose organisations provide some kind of flexible working, the voluntary sector scores the highest overall on the Flexibility Index, with an average score of 3.1 out of 5. The private (Index score: 2.9) and public (2.8) sectors score slightly lower.

**Figure 1: Flexible working adoption by sector**



Our findings show that voluntary sector managers are more highly rated for encouraging staff to work flexibly and are more likely to work flexibly themselves. Among voluntary sector participants in our study, 37 percent were allowed flexibility with their working hours compared to 31 percent in the public sector and 26 percent in the private sector. In addition, 40 percent were allowed location flexibility compared to 18 percent in the private sector.

Voluntary sector employees also hold more favourable attitudes towards flexible working than either their public or private sector counterparts. Nearly three quarters (73 percent) of voluntary sector staff with some flexible provision are favourable, compared to just under half in both the other sectors. A similar proportion (75 percent) believes it positively affects their job satisfaction, compared to a smaller number (65 percent) of public and private sector employees.

Flexible working allows us to keep the best people. It makes people feel valued. As a charity we can't pay top rates but our flexibility is a benefit to offset this. It enables us to stay functioning in extremis (Survey response – voluntary sector)

### **Flexible working within and across sectors**

Private and public sector organisations appear, in aggregate, to be roughly the same in terms of flexible working adoption. But the overall sector score masks significant variation within and between sectors. Some types of public sector organisation are much further ahead of their private sector counterparts, and vice versa.

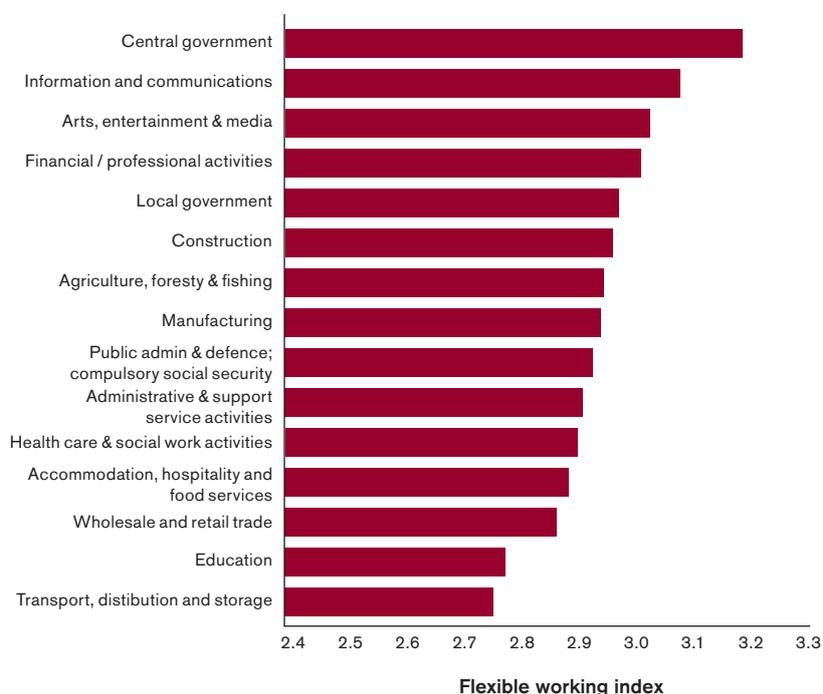
This variation is illustrated in Figure 2, where central government organisations (3.2) score highest on the Index, followed by information and communications organisations (3.1), arts, entertainment and media (3) and, finally, local government (3). All the sectors are therefore represented in the top four positions.

Those in the education and transport, distribution and storage sectors score lowest on the Index, suggesting a more problematic relationship with flexible working arrangements. This may be due to the work itself (eg education, construction) being thought to be incompatible with

*Voluntary sector employees also hold more favourable attitudes towards flexible working than either their public or private sector counterparts*

flexible working. This may also reflect historical or cultural factors within these professions.

**Figure 2: Flexible working adoption by industry**



Further examination of the Index data shows some predictable patterns of industry-specific adoption.

For example, ‘agriculture and forestry’ organisations are strongest on providing location flexibility, while those in Information Communications Technology (ICT) rank highest in terms of adopting hardware and software to aid flexible working.

The scores on particular Index dimensions show that ‘arts and entertainment’ organisations rank lowest on providing formal policies to support flexible working while ‘central government’ performs best. Again we might expect this given the likely differences between the two in terms of human resources management capacity and bureaucratisation.

*Small businesses are often leading the way in providing flexible working opportunities*

**Other sources of variation**

The survey data indicate that small businesses are often leading the way in providing flexible working opportunities to their employees. The adoption scores of small organisations (up to 10 employees) are significantly higher than their mid-sized (11–150 employees) or large (251+ employees) counterparts. This finding is similar to findings from the large-scale WERS survey of UK workplaces<sup>6</sup>.

6. The 2011 Workplace Employment Relations Study (WERS) First Findings (2011) [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/175479/13-535-the-2011-workplace-employment-relations-study-first-findings1.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/175479/13-535-the-2011-workplace-employment-relations-study-first-findings1.pdf)

*Senior managers are more likely to be taking opportunities to work flexibly*

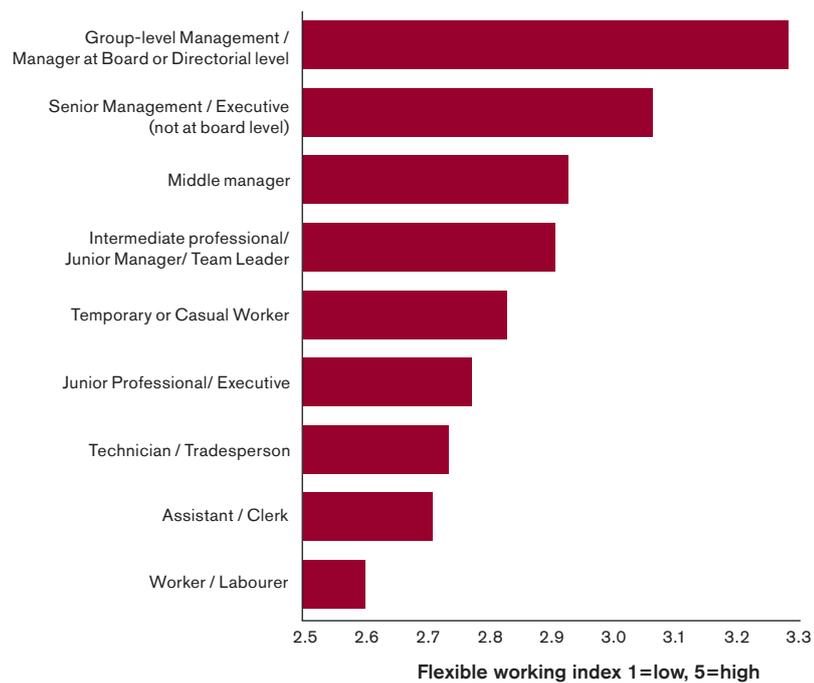
This may seem unlikely given some of the costs and administrative burdens sometimes associated with flexible working, especially for small businesses. But it may reflect the extent to which small businesses rely on location and time-flexible working to minimise overheads and maximise the productivity of their smaller numbers of staff. Informal and ad hoc arrangements may be necessary in this context, whereas more formal and systematic policies are only possible in large organisations.

Mid-sized business' low scores may reflect that they are caught somewhere between the two, requiring a more systematic and coordinated approach to work than their small counterparts, but not yet having the administrative resources to manage this at scale.

Another source of variation is organisational seniority. Our findings, illustrated in Figure 3, show that senior managers are more likely to be taking opportunities to work flexibly, compared to their more junior colleagues.

Higher senior-level adoption may be due to higher levels of awareness among these staff, the use of flexible working as a 'perk' of seniority, or the heightened demand among those at a mid-life stage which involves caring and parenting responsibilities.

**Figure 3: Flexible working adoption ranked by role**

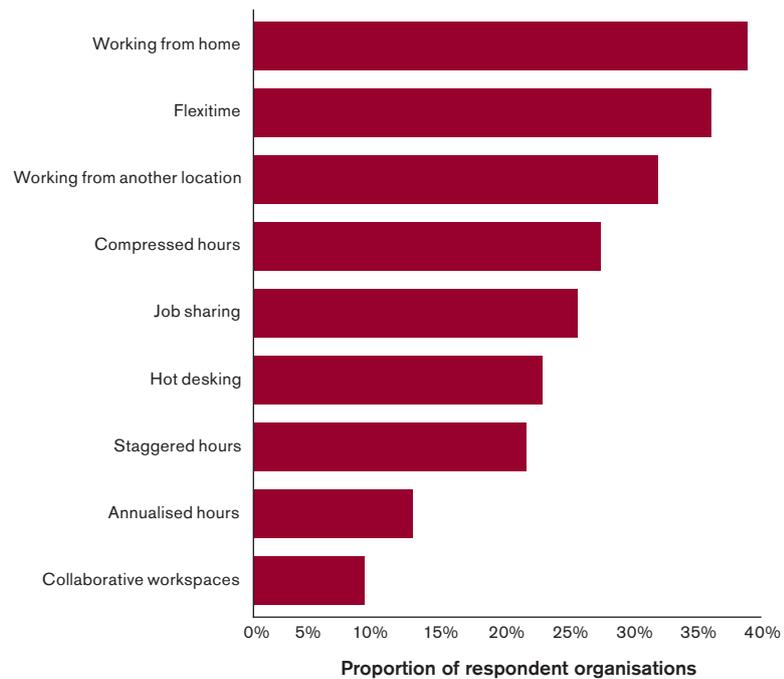


## 1.2 How organisations are working flexibly

Employers and employees are adopting a range of flexible working practices. As Figure 4 shows, these include compressed hours, job sharing and annualised hours. However flexibility over work locations (particularly at home), and having discretion over daytime working hours remain the most popular practices. These are employed by well over a third of organisations.

The use of collaborative workspaces and hot-desking is less common. In both cases these are found in around one in ten organisations. However this still represents a surprisingly sizable number and is likely to have resulted from the rapid growth in recent years of new enabling spaces (eg Hubs, as well as Wi-Fi cafes) and technologies (eg tablet devices; cloud storage) to enable both.

**Figure 4: Flexible working types ranked by frequency**



*We should be careful not to assume that the presence of policies equates to practice*

**Formalising flexible working**

Just over half (55 percent) of organisations with flexible working arrangements have formalised them to some extent. These may comprise a formal written policy alone or one that forms part of their employment contract.

However we should be careful not to assume that the presence of policies equates to practice. Only one in ten respondents say that their organisation has written, formal policies that are actively implemented.

Well over half (63 percent) of organisations advertise flexible working as an option in their job recruitment. This ranges from a third (33 percent) of organisations who make an occasional mention to around one in ten who promote it as a central aspect of the role (12 percent). However, this still leaves a sizable minority (around a third) who make no mention of flexible working opportunities in their recruitment.

When it comes to the precise details of people’s job specifications and contracts, a potential gap between formal policies and ‘real life’ becomes apparent. Over a third of employees in our survey (35 percent) have no flexible working arrangements in their employment contract. One in ten (9 percent) employees have flexible working written into their employment contracts but do not see it being applied in practice.

### 1.3 Drivers and inhibitors of flexible working

Responses to open-ended questions in the survey (summarised in Figure 5) reinforce the impression from the quantitative research of what is driving or impeding the uptake of flexible working. A positive blend of attitudinal perception, culture, technology and procedure are required to encourage and enable flexible working.

**Figure 5: Qualitative responses: Enablers and inhibitors of flexible working**

| Enablers   | Inhibitors                                     |
|--|--|
| Collaborative culture                            | Lack of trust                                  |
| Managers' support and encouragement              | Peer perceptions of selfishness                |
| Supporting technology (devices and systems)      | Viewed as a privilege                          |
| Awareness of availability and potential benefits | Fear of increased management workload          |
| Organisational policy and procedures             | Concerns about damage to promotional prospects |

The quantitative data provides added insight into two of the most critical dimensions: attitudes and technology

#### Attitudes

Around half (53 percent) of all employees in organisations that have flexible working have a favourable attitude towards it. Only around one in six have an unfavourable attitude, with nearly a third, (30 percent), holding a neutral or ambivalent view. Interestingly, there are no significant gender differences in attitude, which suggests that it is no longer thought of as a predominantly female worker issue.

Clearly managers are important in shaping attitudes, as well as adoption practices themselves. Our findings show managers to be broadly positive towards flexible working, however, in many cases this could be characterised as 'lukewarm'. While one in four employees have managers who actively advocate flexible working, the majority (53 percent) describe a prevailing attitude of passive acceptance and tolerance. A significant minority report ignorance (5 percent) or active discouragement (19 percent).

It seems that direct experience of flexible working makes people more favourable towards it. Among those with such experience, two thirds (64 percent) believe that it has significantly enhanced their job satisfaction, with only a very small proportion (6 percent) feeling the opposite.

A substantial proportion of employees in flexible organisations (ie more than 40 percent) feel that working flexibly is likely to 'make people happier', and that 'commuting is time wasting'. A smaller, but still significant proportion of respondents (ie around a quarter in each case) experience 'enhanced concentration and productivity' when working out of the office, as well as 'higher commitment to work' arising from the opportunity to work flexibly.

However a similarly large proportion of employees (ie around 40 percent in each case) believe that 'face to face meetings are an important

*Direct experience of flexible working makes people more favourable towards it*

aspect of work’, that ‘structure and routine are important’, that ‘people take advantage of flexible working’, and that ‘working remotely can be very distracting’.

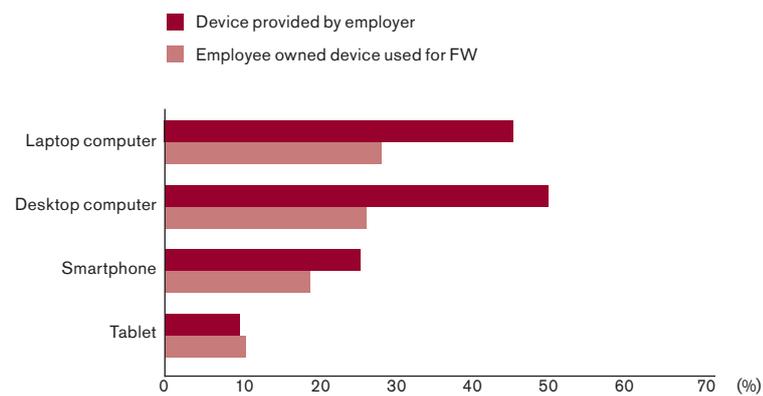
None of these concerns are necessarily antithetical to flexible working. It is possible to maintain healthy direct contact with colleagues, or to have predictable routines, within the context of a flexible working pattern. But it may require greater planning and support, and these attitudes reflect concern about working flexibly if it is not designed and applied in an optimal way. Understanding and addressing such concerns is vital if optimisation, rather than uncritical adoption or rejection, is our goal.

### Technology

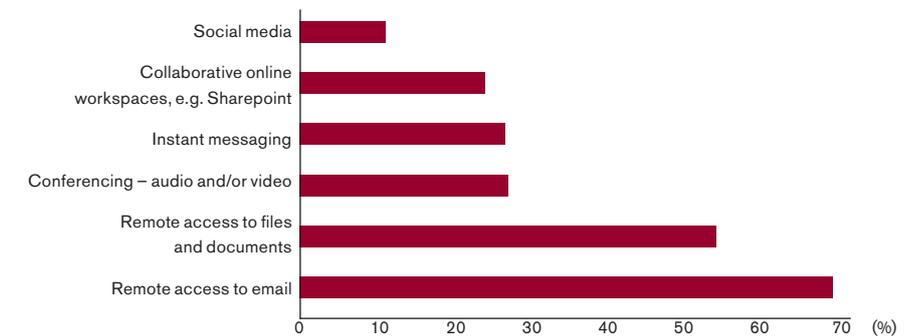
Technology is a key driver of flexible working, enabling people to connect with colleagues, knowledge and ideas quickly and effectively wherever they are, and whatever time of day.

Our survey reflects a transition that is under way in the use of hardware and software to empower a more flexible workforce.

**Figure 6a: Use and provision of technology for flexible working**



**Figure 6b: ICT services provided by employer**



Employers continue to invest in traditional hardware and infrastructure. Around half of employees (51 percent) currently rely on an employer-provided desktop PC. However, perhaps reflecting a shift towards greater flexibility, a similar proportion (46 percent) now has access to a laptop through work. One in four employers provide a

smartphone and one in ten are now providing tablet computers, reflecting the diversification of devices that employees can use to work when and how they want.

Employees are clearly taking up what slack remains with their own devices. Over a quarter use either their own laptop or PC to enable them to work flexibly.

Despite this movement towards flexibility in terms of technology we can see reasons for a remaining adoption lag. One in six (16 percent) organisations do not provide any of these enabling services to their workers.

### 1.4 Segmenting organisations and employees

The findings so far provide specific insights into how flexible working is being employed, and how widely this varies. But in order to make better sense of the whole picture we can categorise the data into segments.

#### Organisational segmentation

Using the data contained in the Flexibility Index we can distinguish four organisational segments with respect to their flexible working practices. These differ from each other both in terms of a) the *extent of adoption*, reflected in the size of their Index score and b) the *style of adoption*, reflected in the strength of their scores across the specific Index dimensions.

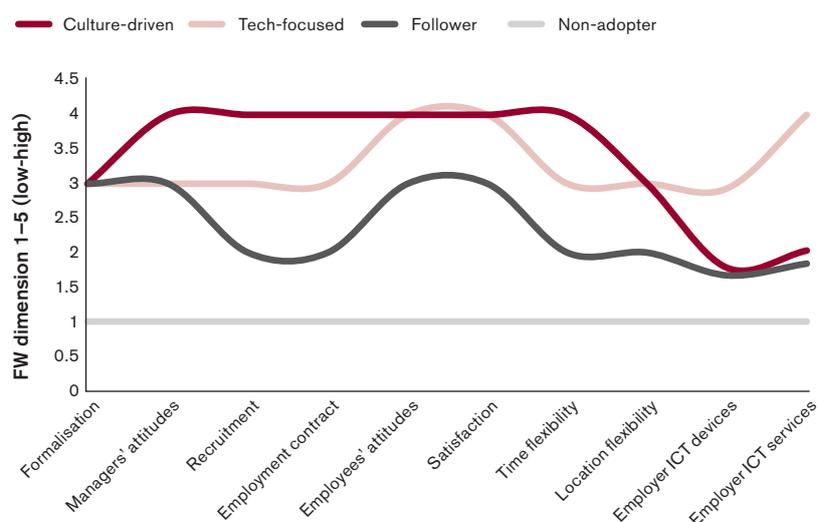
Figure 7 describes each of these segments, and their relative size. The Follower segment, representing one in three (33 percent) employees' organisations, is the largest single grouping.

**Figure 7: Organisational segmentation**

| Categories         | Description  | %   | n    |
|--------------------|--|-----|------|
| Culture-driven     | Emphasises organisational culture including manager and employee attitudes and satisfaction. | 21  | 603  |
| Technology-focused | Encourages flexible working through the provision ICT devices and services.                  | 23  | 652  |
| Follower           | Less formality and allows flexible working with a degree of focus on employee satisfaction.  | 33  | 920  |
| Non-adopter        | Does not allow flexible working.   | 23  | 654  |
| Total              |  | 100 | 2828 |

Figure 8 reveals the profile of each segment by showing their average Index scores on each of the ten flexibility dimensions. Culture-driven organisations are labelled as such because they express their flexibility by embedding it in a range of organisational attitudes, policies and procedures (eg the employment contract; recruitment materials; supportive line management). Technology-focused organisations are so-called because they concentrate more on the hardware and software that underpin these 'soft systems' of flexible working.

**Figure 8: Scores on flexibility dimensions by organisational segment**



Each segment is more or less strongly comprised of particular sectors. For example the Culture-driven segment is dominated by public sector (especially local and central government) and likely voluntary sector (eg arts and entertainment) organisations. The Technology-focused segment is composed primarily of private sector organisations such as the ICT industry, financial services and manufacturing.

The Non-adopters segment is largely made up of private sector service industries, such as transport and logistics and accommodation, hospitality and food. It is also contains education. Further research could identify why these industries/sectors should be less inclined towards flexible working. Qualitative survey responses suggest it is largely due to a perception that the nature of the work itself (eg teaching children; preparing food; running a shop) precludes location and time flexibility.

**Figure 9: Top five industries in each flexible working segment**

| Culture-driven                    | %  | Followers                         | %  | Technology-focused                  | %  | Non-adopters                                 | %  |
|-----------------------------------|----|-----------------------------------|----|-------------------------------------|----|--|----|
| Central government                | 51 | Public admin                      | 42 | Information and communications      | 47 | Transport, distribution and storage          | 36 |
| Agriculture, forestry and fishing | 38 | Education                         | 42 | Financial / professional activities | 32 | Wholesale and retail trade                   | 33 |
| Public admin*                     | 36 | Agriculture, forestry and fishing | 38 | Local government                    | 31 | Manufacturing                                | 32 |
| Local government                  | 27 | Arts, entertainment and media     | 35 | Manufacturing                       | 30 | Accommodation, hospitality and food services | 30 |
| Arts, entertainment and media     | 27 | Health care**                     | 34 | Arts, entertainment and media       | 25 | Education                                    | 25 |

\* includes defence and compulsory social security

\*\* includes social work activities

*Direct experience of flexible working makes people more favourable towards it*

The organisational segmentation helps us to look at the wider sectoral pattern of flexible working adoption. As Figure 10 shows, the public sector has the largest proportion of Followers, while the private sector has the largest proportion of Technology-focused and Non-adopter approaches. The voluntary sector tends to be culture-driven.

Combining this with the previous findings, it suggests that the public sector is typified by either high or middling degrees of formalisation, and is quite strong on cultural aspects, but is relatively weak on the use of technology.

The voluntary sector relies heavily on norms, attitudes and satisfaction to drive flexibility, while the private sector is much better at harnessing technology but weaker on creating cultural and attitudinal conditions for effective flexible working.

**Figure 10: Distribution of segments within sectors**

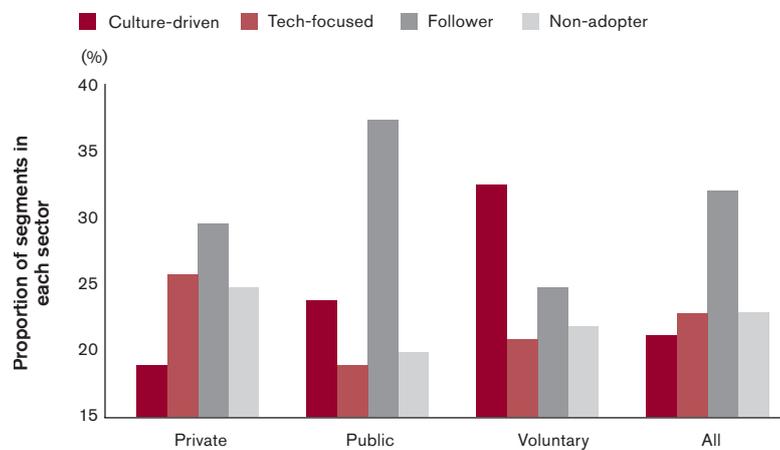
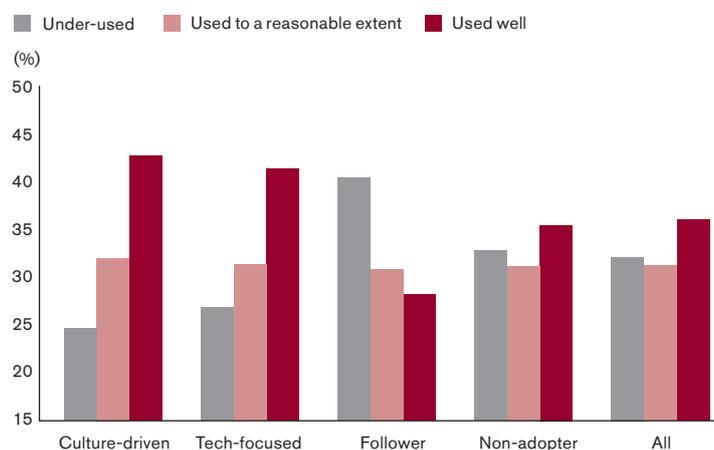


Figure 11 shows how organisations in each of the segments are drawing on their employees' knowledge and skills. As we might expect, we find that employees working in either the Culture-driven or Technology-focused segments believe that their skills and talents are being used well, whereas those in the Follower and Non-adopter segments are much more likely to feel that they are being under-utilised.

**Figure 11: Knowledge utilisation by segment**



*Those organisations with greater technology or culture-driven flexibility are more effective at harnessing their employees' skills*

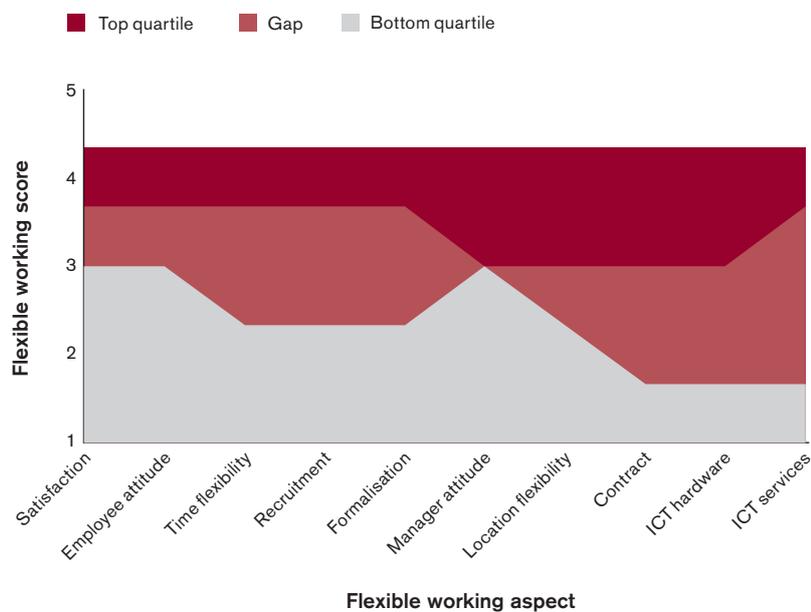
### Closing the adoption gap

Given the multi-trillion pound value of intangible assets to the UK economy, the untapped human capital reflected in Figure 11 is both a problem and an opportunity.

The data indicates that those organisations with greater technology or culture-driven flexibility are more effective at harnessing their employees' skills. Closing the flexible working adoption gap still further will therefore unlock more human capital value.

Figure 12 shows the size of the gap on particular dimensions of the Flexibility Index. The size of the middle section in the chart represents the size of the gap between the lowest and the highest levels of organisational adoption on each dimension. The gap is widest when it comes to technology (both hardware and software), but also on certain aspects of formalisation, such as contractual recognition and recruitment. Attitudes are not so divergent between high and low adopters, suggesting that there is greater agreement here.

**Figure 12: Adoption Gap**



Based on these findings, a focus on the adoption of technology, and on formalisation seems necessary to close the gap. This may indeed be beneficial, but only if it is based on an understanding of the organisation's specific characteristics (ie culture, resources, attitudes) and its operating environment (ie context), so that a tailored, and optimal approach to flexibility can be developed and adopted.

### Employee segmentation

Understanding employees' attitudes and receptivity to flexible working is key to the development of an optimised approach. Again segmentation can aid sense making.

Figure 13 describes a qualitative segmentation which was developed by coding open-ended responses to the survey. It shows that there are broadly five employee segments, each of which may coexist within the same

organisation. Working with and through these groups will be key to any optimisation strategy.

For example it is unlikely that the attitudes of ‘Traditionalists’ and ‘Sceptics’ are going to shift easily, and in many cases that may be understandable. However, through internal communications and leadership activity ‘Participants’ and ‘Candidates’ can be converted into ‘Advocates’ and, thereby, bring more employees from a position of ambivalence or ignorance into an open debate about how the workplace can be enhanced through better ways of working.

**Figure 13: Employee (qualitative) segmentation on flexible working**

|                          |  |
|--------------------------|--|
| Group 1 – Advocate       | Majority, most of whom have directly experienced flexible working arrangements (FWA) and are generally satisfied with these arrangements.                                |
| Group 2 – Participant    | Small group of people who are effectively already using FWA but do not recognise it as flexible working.   |
| Group 3 – Candidate      | Would use FW if it were available in their organisation. Their perception of potential benefits aligns closely with those reported by people who already use FWA.        |
| Group 4 – Traditionalist | Prefer standard hours of work; need routine and defined working patterns and fear procrastination if working flexibly.   |
| Group 5 – Sceptic        | Have negative perceptions of the effects of FW and don't want to try. Many are older and are already working part-time. People who avoid change and want the status quo. |

### Implications

As these findings show, we have reached a point where flexible working is relatively widespread and mainstream. It is widely regarded by employees and employers as beneficial. But we must also adopt a more critical and contingent view of flexible working practices.

There is a great deal of variation in the nature and extent of adoption. Industry specific working patterns are likely to be driven by organisation-specific technological needs, production processes, asset utilisation, health and safety considerations and other constraints on how people work.

We therefore need to know more about the current organisational context and culture, and its relative position in the competitive environment, in order for the adoption of flexible working to be a net benefit to organisations. This is where the diagnostic and benchmarking approach taken in this study can be of value.

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## 2. The value of flexible working

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*While the benefits appear clear... there are also some residual concerns that it is open to abuse and mismanagement*

While flexible working may have become mainstream in many, if not all organisations, we need better ways to capture and understand what, value it brings, to aid organisational decision-making. To do so we need to be able to weigh benefits against costs and drawbacks.

This chapter will use the survey findings to quantify and describe the value of flexible working, as reported by employees and senior managers in our survey.

Firstly we describe the benefits reported in the study, working up from the individual to the organisational level, before tentatively extrapolating from these to the national level in order to get a sense of the economic potential.

We then highlight the perceived drawbacks of flexible working at each level, as these must also be included in the future development of a value equation.

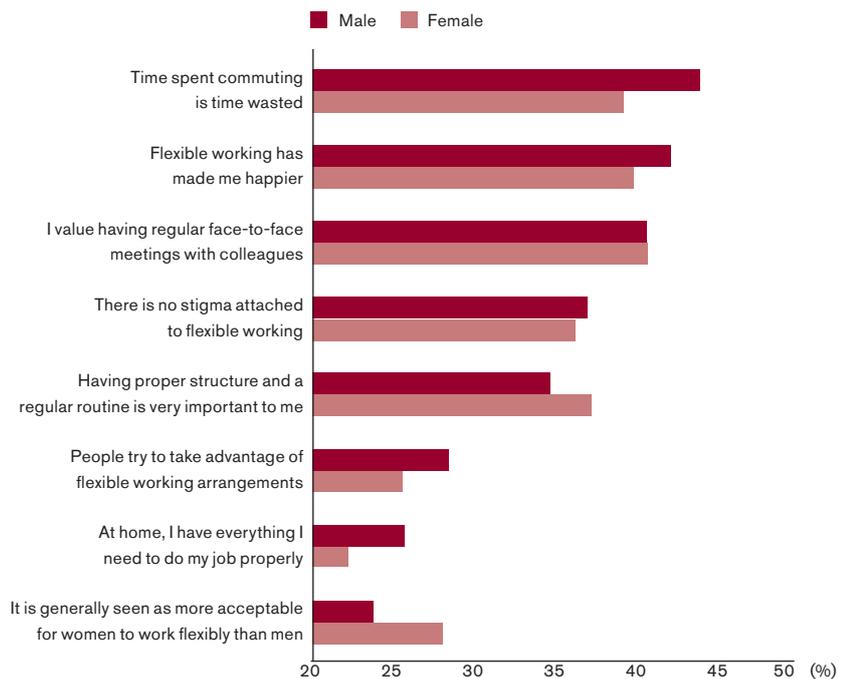
### 2.1 The individual benefits of flexible working

From analysis of the quantitative and qualitative responses in our study, the perceived employee benefits of flexible working fall into four broad categories, not all of which (eg savings) may be related to job satisfaction:

- **Savings:** of time and money
- **Performance:** enhanced productivity, innovation and skill utilisation
- **Work-life balance:** enabling people to meet their non-work responsibilities
- **Wellbeing:** both psychological and physical

As Figure 14 shows, employee attitudes relating to flexible working are generally positive but slightly mixed. While the benefits appear clear, such as reduced commuting time, reduced chances of distraction and the opportunity to work more productively, there are also some residual concerns that it is open to abuse and mismanagement.

**Figure 14: Attitudes towards flexible working: by gender and ranked by frequency**



This overall picture is reflected in more detailed, open-ended responses to questions about the pros and cons of flexible working.

### Personal saving

The major perceived advantage from an efficiency perspective is the reduced time and money spent commuting and the associated loss of productive time.

I am able to travel to/from work at the times that suit me to miss the rush hour traffic, therefore, saving around 8 hours a week in travelling time and I estimate around £5 a week in fuel costs as I am not sat queuing in traffic.

I can do my job more efficiently, because much less travelling is needed than if I had to be there all the time. And I can spend all my time working; instead of the interruptions one regularly gets at an office.

### Personal productivity

From a task perspective, the most direct benefit comes from a perceived improvement in personal productivity. This is attributed to a less distracting, more conducive work environment and an ability to work so that people will be able to deliver peak performance.

I can solve problems as they occur and I am not limited to 'normal' office hours. So I don't have to stop and leave because it's the end of the day, hence losing my thread. It also allows me to have a break when it's most convenient in my work load, not when the clock says.

Improved job satisfaction. Increased amount of work achieved as I can initiate work as soon as I am awake. Multi-tasking so able to satisfy work needs and home life at the same time throughout the whole day with extended working hours and commitment.

### **Work-life balance and caring responsibilities**

The impact on work-life balance is palpable from many of the survey responses. Flexible working appears to allow people to fulfil their parenting and caring roles, as well as pursue wider interests and participate in the life of their local community.

The main gain for employees is the greater opportunity to fit other commitments and activities in with work and make better use of their free time. It is particularly helpful for people caring for children or other dependents, but in fact, everyone can find flexible working beneficial. People may feel happier with a better balance between life and work, and they may feel more in control of their workload.

### **Health and happiness**

In terms of psychological and physical wellbeing, reported benefits include: reduced stress; a greater sense of control; pleasant work environment; and the ability to better integrate healthy eating and exercise into the daily routine. This is significant given that in the UK poor mental and physical health are the primary causes of absenteeism and staff turnover, and therefore one of the biggest human resource costs to organisations, public services and the economy.

I have some ongoing health issues, such as anxiety and panic attacks, and would find it very hard to be committed to going out to work, away from home, on specific days and for specific hours. Because of the very high level of trust in me by my employer, I think that he is getting a better educated and more experienced person than he would otherwise.

Flexible working allows me to keep days free to work on creative writing, and to attend events related to this, which has resulted in various successes with it which I think would have been more difficult in a full-time or less flexible job.

I regularly take time off through the day to go to the gym, or go out on my bike. This helps reduce stress. I continue working after a break and find I'm much more focused and able to complete tasks.

## **2.2 Organisational benefits of flexible working**

At the organisational level our study suggests that there are both direct and indirect benefits. The consistent message from the in-depth qualitative responses is again that flexible working can be a powerful driver of both organisational performance and a happier, more motivated workforce, but is only truly 'optimised' when it integrates both organisational and individual interests.

The key performance benefits are:

- Innovation
- Productivity
- Cost savings
- Skills utilisation (human capital)
- Motivation

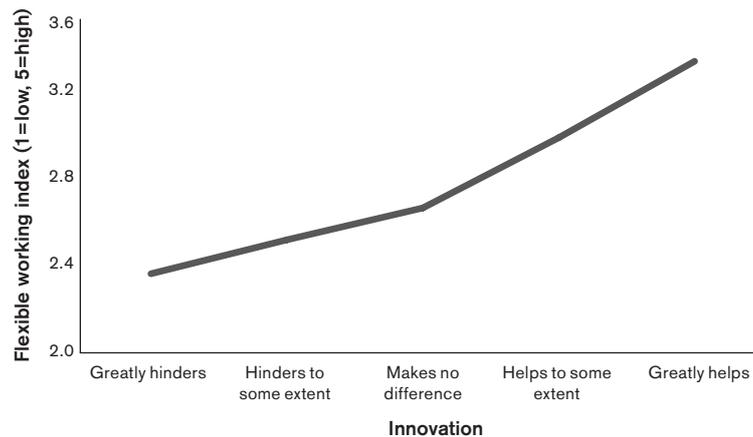
### Innovation

Nearly half (48 percent) of study participants believe that flexible working contributes to the innovative capacity of their organisation. A similar proportion (42 percent) believes it makes no difference. At the headline level, attitudes therefore seem somewhat divided.

However when we analyse the association between such attitudes and overall flexible working adoption (as measured by the Flexibility Index) we find a direct and statistically significant correlation. This means that an increase in organisational flexibility is positively associated with an increase in the belief that flexible working aids innovation. Confidence in the innovative value of flexibility grows the more it is experienced.

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**Figure 15: Association between innovation and levels of adoption**



Qualitative data from the survey provides some insight into how flexible working and innovation may be associated in the minds of employees and managers.

The most common view is that working out of the office is often much more productive from a creative point of view:

Creative ideas happen when they happen and not between 9–5. The environment at work is too macho and not conducive to idea generation. Rules and norms suppress the creative energy and sap the soul of out those that ‘get’ creativity and innovation.

When I work from home, it is much easier to concentrate, think and, therefore, be creative and think innovatively.

In some cases organisations seem to have put deliberate thought into using flexible working as part of a conscious strategy to cultivate creativity:

The organisation has gradually incorporated different schemes and technologies to get the best out of staff – including flexible working. If we had stuck to a 9–5pm ‘at your desk’ regime our experience would not be so wide. This varied experience must help innovation, brainstorming and creative thinking.

*Nearly half  
(48 percent) of study  
participants believe  
that flexible working  
contributes to the  
innovative capacity  
of their organisation*

By co-working with other companies, and having flexible hours to attend other peer group events, we have rich networks of partners and collaborators. [It results in] a workplace where innovation can flourish by seeing what others are using/doing and repurposing it to tackle something which is a problem facing our own organisation.

Sometimes flexible working leads directly to transferable innovations and business improvements:

I have personally developed software to allow staff at our company to print documents or spoolers from the server to their local/home printer no matter where they are. This software has now been sold to users. Without home working I would never have even thought about the need for it.

### **Productivity**

A second direct performance benefit for organisations appears to result from increased productivity. Workers report being able to get more done, in less time, as a direct result of flexible working.

My productivity has rocketed. Flexi-time and other huge changes were made at the same time.

Working from home allows completion of focussed tasks when ‘quality time’ is required.

They [our teams] gain about eight hours work, productivity is VERY high.

[Flexible working would] get more hours out of me. I tend to work more hours at home, to ensure I am not considered to be ‘shirking’. Also I get more productive hours if I can return home rather than go to the office after an external engagement.

The time I save on commuting would give an extra hour a day. I wouldn’t be as tired.

Through structured questioning our study gauged the size of the gap between employees’ current weekly working arrangements and their ‘ideal-world’ arrangements. The result was an average gap of five hours of wasted, unproductive time (eg from commuting) for all employees.

This benefit equates to around £4,200 per annum (gross) per employee based on survey average wages and UK average annual working days.

*Organisational cost savings are thought to derive directly from flexible working*

**Cost savings**

Thirdly, organisational cost savings are thought to derive directly from flexible working, particularly in terms of freeing up desk space, reducing printing costs and, therefore, reducing costly overheads. Through structured questions, employees in the study identified an 11.2 percent reduction in terms of time spent in the office as a result of more remote working in an ‘ideal-world’ working arrangement.

Based on the average costs of maintaining office space this represents a £650 per annum (gross) saving per employee.

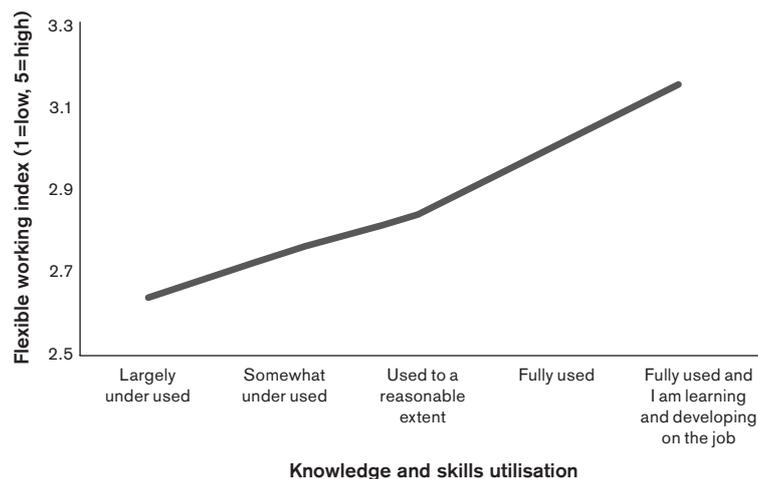
Another minor, but contributory saving, is in printing costs. Study participants on average reckoned they would save 43 pages of printing per week, which at standard page costs over a working year equates to nearly £100 per employee.

The main improvements [from flexible working] are greater cost-effectiveness and efficiency (such as saving on overheads when employees work from home or less downtime for machinery when 24 hour shifts are worked), an ability to attract a higher level of skills because the business can recruit and retain a more diverse workforce and more job satisfaction and commitment, resulting in increased productivity and lower absenteeism and turnover.

**Skills utilisation**

As we have seen in the previous discussion of adoption patterns, there is a significant opportunity for flexible working to improve the utilisation of organisational human capital (ie job related knowledge and skills). Our data (Figure 16) shows a significant correlation between flexible working adoption and skills utilisation.

**Figure 16: Knowledge utilisation vs Flexibility adoption**



Analysis of the qualitative responses reveals a number of factors to explain this association. Organisations with flexible working find it easier to recruit and retain better talent from a larger pool. Flexible working is also reported to help the right people work in the most effective ways, for the benefit of everyone concerned, including customers.

Increased ability to attract, recruit and retain employees. Increased employee engagement and job satisfaction. Enhanced productivity and profitability. Reduced absenteeism and sick days. Reduced turnover costs and business costs.

Geographically diverse employee base – company can recruit the best people for the job rather than the best people in the area around offices. Increased employee satisfaction.

### **Motivation**

A range of important, but more indirect organisational benefits are suggested in the qualitative findings.

In particular, flexibility is perceived to develop a better, more motivated workplace culture, with enhanced relationships between employees and managers, and greater discretionary effort on the part of employees. Happier employees are also thought to translate into better service.

Lower absenteeism and turnover. Other benefits include a greater continuity amongst the workforce as staff that might otherwise have left, are offered hours they can manage, and general increased customer satisfaction and loyalty because people are happier and this translates into better overall service. Do not underestimate the effect of a depressed, disgruntled worker on customers! If you offer longer opening hours plus more experienced, cheerful staff your customer satisfaction rates should rise.

I believe it shows a level of trust between the employer/employee which would result in a more positive working relationship – the employee would feel valued, thus work harder.

### **Overall organisational performance benefits**

Statistical analysis of our findings reveals a direct and statistically significant relationship between flexible working adoption and overall organisational performance. Flexible working was found to account for 5 percent of the variance in overall organisational performance. This is a small but not insignificant contributor to organisational success, especially when we consider the margins that many organisations have to operate under.

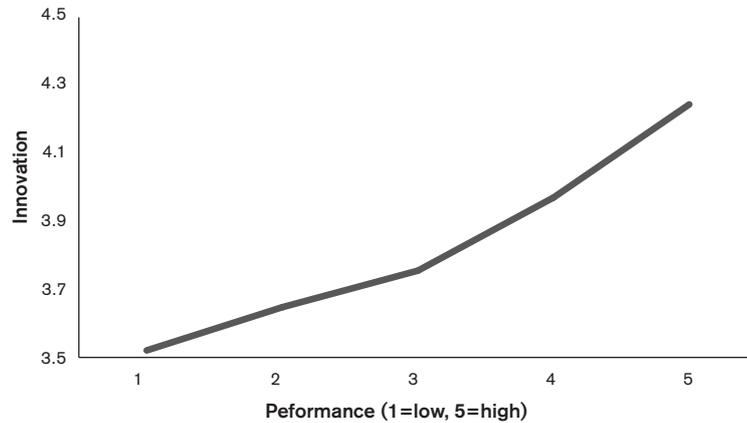
Further statistical analysis highlights four flexibility dimensions as being the most important drivers of overall organisational performance.

- Employee attitude
- Satisfaction
- IT Services
- Formalisation

This reinforces the impression from the qualitative findings that a combination of culture and technology and culture are vital to ensure optimal flexible working practice.

The analysis also shows how flexible working may have an indirect effect on organisational performance. Figure 17 shows how perceptions of flexible working driving innovation are linked to actual performance. In higher performing organisations more people believe that flexible working has a positive influence on innovation.

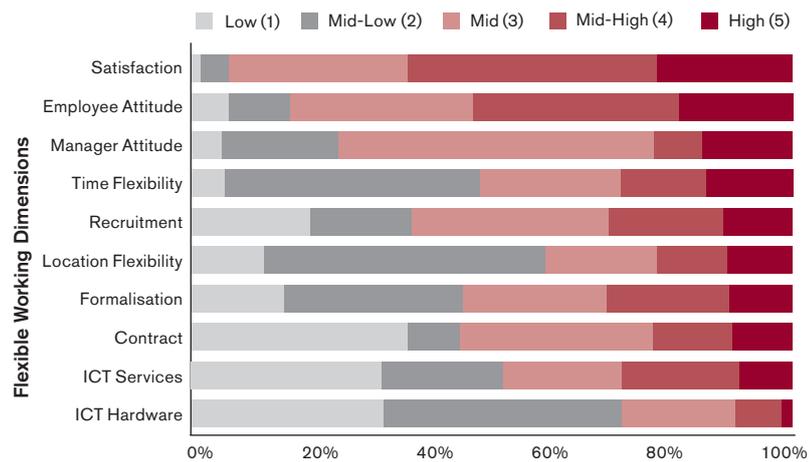
**Figure 17: Innovation vs performance**



The flexibility-performance link is further illustrated in Figure 18 by plotting the distribution of organisations by their degree of flexibility against their level of overall performance.

Most of the high-performing organisations are to be found to have medium-high levels of adoption. By the same token very few highly flexible organisations are low performers.

**Figure 18: Flexibility adoption index vs performance**



### 2.3 National benefits of flexible working

We have seen how flexible working creates value at the personal and organisational level. Along the way various spin-off benefits have been alluded to in the qualitative findings, such as time savings, reduced congestion and reduced burdens on public services.

*By encouraging changes to the design and practice of our working lives, we may unlock large reserves of untapped economic and social value*

As the UK searches for growth and innovation strategies to lift us out of the current economic doldrums, it is vital to consider not only financial forms of stimulus, but also cultural and human resource-based approaches. By encouraging changes to the design and practice of our working lives, we may unlock large reserves of untapped economic and social value.

A major challenge for human resource researchers has been the difficulty of measuring and quantifying the value of such working practices. For this reason, there is often an understandable reluctance to make wider claims about the potential value or costs of these approaches.

A pilot study such as this cannot claim to have solved such problems. But we nonetheless make some indicative assumptions about the wider value of flexible working, based on our survey findings. The purpose of this is to encourage more of a focus on this issue, and better evaluation, so that we can stimulate more effective investment.

### **Productive hours gained**

As we have seen, respondents estimated that given ideal flexible working arrangements they would each gain an average of 5.1 productive working hours per week. This represents a substantial potential gain for the economy as a whole. To put this in perspective, should only 13 percent of the employed population of 25.2 million<sup>7</sup> people achieve this it would equate to a potential productive gain of £6.9 billion per annum.

This estimate is based on the 13 percent of ‘potential adopters’ in our survey who indicated that they would, and could, work flexibly but are not given the opportunity. It assumes an average wage reported in our survey of £17.83 per hour, and 44 working weeks per year. It also assumes a 50 percent implementation cost to enable flexible working.

### **Workstation savings**

Employees estimated that through flexible working they would save on average 11.2 percent of their time in the office. The average cost of maintaining a typical desk space (including real estate value) in the UK has been estimated as £5,740 per annum<sup>8</sup>. When these are applied to the 13 percent potential adopters and assuming a 50 percent implementation cost the potential saving would be £1.1 billion per annum.

### **Print cost savings**

Survey respondents estimated they would save 40 sheets per person in their ideal flexible working arrangement. Assuming 44 working weeks per year and a printing cost of 5p per sheet the saving for potential adopters (13 percent of the working population) would amount to £150 million per annum.

### **Caveats**

Clearly these figures are speculative, albeit that they are based in part on the findings from our survey.

7. ONS, Labour Market Statistics, January 2013, 23 January 2013

8. DTZ Occupier Perspective Global Occupancy Costs Offices 2013 – [www.dtz.com/Global/Research/GOCO+13](http://www.dtz.com/Global/Research/GOCO+13)

How much these benefits can be realised in practice will depend on a number of factors, including the costs of additional administration, adjustment of internal policies and systems, provision of IT and communications services and possibly the sales costs of additional productive capacity. Furthermore, there will be perverse effects. One person's increased productive time from not being in the office could adversely affect others' productivity. These are some of the factors that have informed our rough estimate of a 50 percent implementation cost.

It is therefore difficult to forecast the net productivity gain after taking these and other related factors into account. Implementation effectiveness is bound to vary from one organisation to another. However, our survey findings suggest that in most cases the costs of delivering these productivity gains will be outweighed by the resulting benefits.

### **Further national benefits: social and environmental**

In addition to the economic benefits, we must also consider potential social and environmental benefits of greater flexibility as part of an integrated national strategy.

The wider environmental benefits, for example, could be significant. Survey participants were asked to estimate the time they could save on commuting were they to have their ideal flexible working arrangements. The resulting saving of just over 4.76 hours per week equates to 5,474 million hours per year if extrapolated to the entire working population. A commensurate reduction in greenhouse emissions from commuter transportation would be a considerable additional benefit.

The social benefits of people being better able to be carers and/or parents, stay fit and healthy, and participate in local community life could also be quantified. These benefits would be reflected not only in 'softer' measures of happiness and wellbeing, but also 'hard' impacts such as cost savings to public services.

### **Flexible working and public sector reform: achieving "more for less"**

Across the public sector intensive efforts are being made, as part of the Coalition government's deficit reduction programme, to drastically reduce spending while minimising the impact on key services.

A lot of media and public attention has been focussed on the most immediate cuts and their consequences. However as the 'low-hanging fruit' disappears, and the scale of long-term fiscal challenges and pressures on services hit home, the focus is shifting from short-term efficiency towards long-term reform and innovation, to drive greater productivity and value in public services. Ultimately service transformation will be the only way to achieve "more for less" at the scale required.

Radical reform requires fundamentally better ways of working: utilising people's talents, energies and skills - their human capital - in more imaginative and productive ways.

A focus on strategic flexible working could form an integral part of this agenda.

From our study findings, the public sector could realise £1.2 billion in productivity gains, and £200 million in cost savings by adopting stronger and better optimised flexible working patterns. This is based on public sector respondents' estimates of an average gain of 4.6 productive working hours per week given ideal flexible working arrangements and on closing an 11 percent gap in public sector adoption. It also assumes a 50 percent implementation cost, based on the likely challenges

of introducing and managing a flexible workforce identified in the study. The findings show significant variation in terms of the extent and nature of flexible working approaches within the public sector.

In addition to greater productivity and efficiency, the study finds a strong link between the adoption of flexible working patterns and service quality, through increased capacity for innovation and better utilisation of skills. In addition to enhancing existing services, this is vital if the public sector is going to find innovative approaches to tackling the mounting pressures and demands it faces, with limited resources.

Our survey also highlights the potential benefits to public sector workers in terms of employee commitment, satisfaction, work-life balance, health and wellbeing.

If the costs and potentially negative aspects of flexibility can be reduced, better flexibility may create valuable synergies between the interests of public service provider organisations, employees, and service users.

## 2.4 Costs of flexible working

While the benefits of flexible working in identified by respondents in our study outnumbered the drawbacks, it is important to recognise the criticisms and concerns of employers and employees alike. After all, in order to optimise flexible working organisations need to understand and mitigate them.

A thread running through some of the comments is the sense that the optimal flexible working arrangement should be the result of reciprocal negotiation, agreement and partnership between managers and employees. Where that fails, or is non-existent, the downsides of flexibility can become apparent.

The only drawback would be if the Company decided on the ‘flexibility’. It would have to be a joint initiative.

### Individual costs

Previous research has shown that a major risk of flexible working can be an intensification of work and an overspill into non-work contexts where it creates tension and anxiety, as well as unpaid overtime.

Can feel like you HAVE to work if the workload is great rather than finishing at a set hour. I can often feel I work more than a full-timer because of this.

There are also concerns that the system would be open to abuse unless the culture is one that cultivates strong personal and mutual responsibility.

Loads [of drawbacks]: parents abusing the situation and using ‘home working’ as a euphemism for ‘childcare’ ie screaming kids in the background while trying to do business. Working unsocial hours creates an expectation that all employees should be available.

Mistrust. Other people think working from home is shirking from home. Unless you get used to working from home it is easy to treat it as a day off and get less work done – needs to be a regular fixture so you have a setup to work from home.

In some cases, it was felt that service would be adversely affected unless it was well managed.

Complete flexible working would not work as there has to be staff to support the service users. If everyone decided when to come in to work there might be no one there to support them.

Another concern is reduced collaboration and social contact as a result of being absent from a shared workplace. More than a third of those polled say they value having face-to-face contact with colleagues.

I'm not as motivated as when working in the office. I enjoy being able to talk to people in the office.

### **Organisational costs**

Perceived organisational costs generally focus on the anticipated costs and complexity of making the transition to accommodate flexibility. They also highlight a concern about the complexity of managing a highly distributed workforce, and the resentments that might brew between those able to work flexibly and those not.

[You have to incur] costs to provide supporting hardware and software for employees to join the flexible working practices programme: Training costs for the workforce on how to use the laptops, smartphones and tablets and Outlook; Training costs for all the sales team; HR cost to implement and monitor the new working arrangements; Legal costs associated with ensuring the new working arrangements did not break any employment and labour laws.

Not always sure where staff are and even when they work at home. If they do not respond to e-mails or answer their work mobiles this causes difficulties for other members of staff who are wasting time trying to track them down to the detriment of carrying out their own duties.

However, the point is also made that some of these may be unwarranted, given the right approach to adoption.

Flexible working is too often seen as increasing complexity and inconvenience, but when embraced it can have quite the opposite effects. The slight shift in resources needed to manage flexible working is more than made up for in worker engagement, productivity and consistent delivery of effort from greater job-satisfaction etc. It is a perceived threat easily turned into an opportunity and strength.

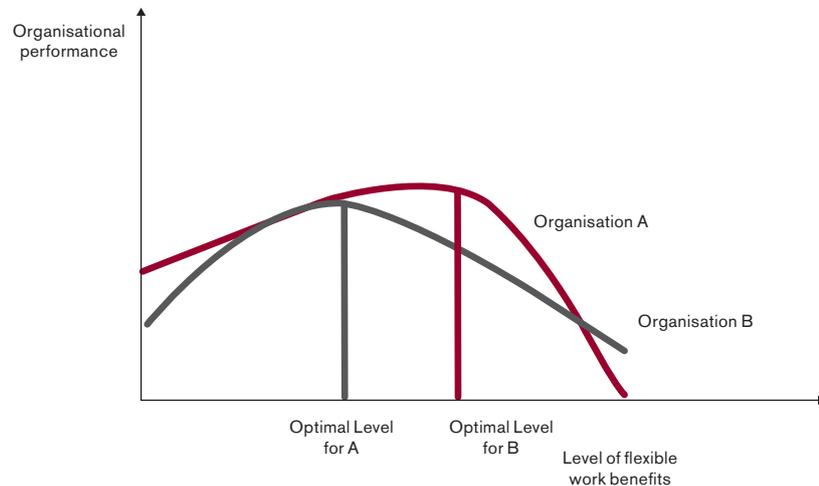
## **2.5 Optimal flexible working**

We can see from the adoption patterns in the quantitative data, and in the qualitative data that flexibility varies greatly between individuals, organisations and sectors.

One size fits all policies are unlikely to be as effective as ones that have been developed with a specific organisation or individual in mind, and

through a partnership approach. Beyond a certain point, depending on the organisation and its sector, almost any flexible working practice can start to become counterproductive. That tipping point is likely to be organisation or context-specific. This is represented graphically in Figure 19.

**Figure 19: Optimal level of flexible working**



*Whether flexible working becomes a net benefit or cost depends to a large extent on whether it is applied within a progressive culture of trust and collective commitment*

Developing a bespoke, optimisation approach to flexible working requires an organisation to know itself and its operating environment well enough to design policies and practices that fit.

However, it also requires good diagnostic and analytical tools to monitor variations in working practices and their impact human performance.

### Implications

Whether flexible working becomes a net benefit or cost depends to a large extent on whether it is applied within a progressive culture of trust and collective commitment, or whether it operates as part of a more reactive, command and control culture in which employees are forced to subvert and resist the rules to get the best deal for themselves.

When it comes to the adoption of flexible working by UK organisations, the *quality*, rather than the quantity of adoption, therefore, now needs to be the focus of attention. Organisations need to be able to optimise their use of human resource practices, but in order to do so they need ready access to data and feedback which can help guide them. Large firms and institutions with sizable budgets and sophisticated HRM systems may be able to provide this kind of feedback, but it is the smaller and medium sized organisations which lack the capacity, and are, therefore, relying largely on anecdotal evidence, if at all.

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# 3. The future context for work flexibility

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The study described in this report has focused on the hidden and real value of flexible working to individuals, organisations and the wider economy. However, this is just a subset of a much wider debate, and a larger opportunity, for the UK in terms of the way we work. In this chapter we will look at how the future context may influence the adoption and expression of flexible working practices.

In order to set this study in a wider, and longer term context we conducted a rapid literature review of horizon scanning research which attempts to forecast future trends in employment and work. From these sources we synthesised a ‘consensus’ view, which reflects the most dominant themes, trends and conclusions. A sample of the key sources, from which we have drawn directly, are provided in the Appendix. However as with any synthesis, there is an element of interpretation.

## **The future context for work**

There are some striking similarities and common themes in the forecasts of the various commentators on the future of work. For this reason, at the risk of over-generalisation, we could call the following whistle-stop tour of various sources, the ‘consensus view’.

This viewpoint highlights certain technological, demographic and economic trends which will grow in momentum, reach and impact, and that the result will be an increase in contingent, project based, freelance and flexible working, at least at the higher end of the income spectrum.

Workers will have to equip themselves for a series of careers in their lifetime, continually ‘crafting’ the jobs they get and becoming accustomed to a portfolio of work activity that blurs personal and professional boundaries in terms of subject matter, roles, time and location.

As a result, professional learning and development will have to be a lifelong commitment on the part of the individual, when versatile ‘employability’, rather than long-term employment, becomes the watchword.

A new set of economic, technological and social competencies, such as sense-making, computational thinking, trans-disciplinarity and virtual collaboration will be required for individuals, as they combine these transferable skills with deep subject specialism. This combination of narrow and broad skills has been dubbed the ‘T-shaped’ profile.

Technology will spur unprecedented competition and rapid access to new markets and opportunities, as well as the ability to work anywhere, with anyone, at any time. The consequence, in the consensus view, is that organisations will become more distributed, virtual, porous and

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diffuse. Rather than formalised and permanent organisations with clear command structures, temporary collaborative swarms (a form we already see in hacker groups such as Anonymous) may become more common.

Drawing on this immense pool of available and flexible talent, organisations will be able to add or remove new capacity and skills with the click of a mouse, bringing many significant benefits. We can already see this with the rise of global freelance marketplaces such as Elance. The danger is that this will result in a further thinning of the employment relationship and any sense of mutual long-term commitment.

In geographical terms, key city regions will continue to evolve into giant hubs of innovation and project-based collaboration. However, they will become increasingly densely populated, posing major strains on transport infrastructure, housing, and the conditions required for 'liveability'.

Sophisticated automation will have decimated many routine, low-mid-level administrative and managerial roles, while complex IT and professional services will continue to grow. As a result, major mismatches in skills will develop both spatially and by sector.

Workplaces themselves will become much more agile and multi-purpose, with the rise of office as a service (OaaS) and flexible furnishings, technology and social conventions that enable different uses of the space and maximise the chances of productive collaboration.

Opinions vary as to whether this new world of work will bring more harm than good.

A positive interpretation of the 'consensus view' highlights the liberating effect of removing many of the conventional constraints of work (eg commuting, presenteeism, bureaucracy, office politics), and freeing people up to pursue work that is intrinsically and professionally motivating.

Furthermore, by drawing on a wider range of talents, collaborators and ideas, the new world of work can accomplish things in ways that are more entrepreneurial and innovative. Some argue that greater flexibility, and a better distribution of available work could also lead to a revival of local communities and civic activity as more people live locally, but work globally. This could be characterised as a world of 'positive' or 'strong' flexibility in terms of working practices.

A pessimistic interpretation highlights the economic vulnerability of individual workers in this world, and the lack of freedom they will have to determine their optimal way of working, given the intensity of competition, the scarcity of reliable employment and the need to be 'always available' for work. The potentially damaging mental health and social implications of this are apparent. This could be characterised as a world of 'negative' or 'weak' flexibility.

There are a number of caveats that we must attach to projections of this kind; the most obvious being that any forecast is riven with uncertainty. Another key criticism of some of the projections is that they dwell on certain types of work (often high value, complex knowledge work) at the expense of manual, public service, or care work.

### **Implications**

Notwithstanding these caveats, and whether or not we subscribe to the pessimistic or optimistic viewpoint, it seems likely that flexible work of

one kind or another will be a fact of life. Individuals and organisations can embrace it consciously as a strategy for success or choose to ignore or avoid it.

If we are to achieve the twin objectives of a more successful and sustainable economy alongside a healthier, happier and greener way of living, we need to invest in creating more positive or ‘strong’ flexible working arrangements.

Such an approach is one in which flexibility is adopted as a shared strategy between the commissioners and producers of work to pursue individual and collective goals. Flexibility creates both organisational and personal benefits because they are integrated. Mutual responsibility and commitment underpins the relationship, through enlightened self-interest.

The alternative, negative or ‘weak’ variant is one that is imposed on individuals or organisations by the whims of the marketplace, technology, or employee/er pressure and is riven with tensions, suspicions, organisational politics and mutually exploitative strategies. This variant is unlikely to yield many of the combined benefits of flexibility. It is therefore ‘weaker’ both structurally and functionally.

However, this study has highlighted a number of current elements that need to be addressed in order to encourage ‘stronger’ flexibility.

### 1 – A renewed and reinvented ‘psychological contract’

We have seen how the full benefits of flexible working are only achieved when both parties enter it as a way to pursue both organisational and personal goals. In doing so it creates a powerful exchange relationship – part of what work psychologists call the ‘psychological contract’.

With the traditional elements (eg job for life, training, pension) of this implicit ‘contract’ between employer and worker looking increasingly threadbare new means of establishing a mutual commitment are needed to ensure that the potential of progressive flexibility is realised.

Providing flexible working itself creates commitment. But if work ties are to become weaker under the consensus scenario of the future, we must find other ways to reinvent that sense of solidarity and exchange.

### 2 – Innovation in human capital measurement and reporting

Without relevant data on the wellbeing and performance of the UK’s available human capital we are unable start looking for patterns in the flexible working data to see what could be done to make it better. Surveys like WERS help to do this to a large extent. But in order for organisations to not merely adopt but *optimise* flexible working they need ways to cheaply and regularly self-assess and learn what their data tells them about their type and degree of flexibility. By getting feedback in this more immediate and tailored way, better decisions can be taken.

### 3 – Innovation in working practices

In some cases UK organisations will need to overcome inertia and conservatism and develop means to encourage experimentation in better ways of working. More immediate feedback on the effects of such experiments, as identified above, will enable evaluation and scaling.

#### 4 – Investment in the flexible infrastructure

In order for people to be able to work anywhere, anytime and anyhow they will need a dependable and convenient physical and technical infrastructure. This means a variety of remote locations in which to work, 24/7 access to systems and resources, and the freedom to experiment with alternative ways to connect and collaborate with others. This will require more concerted individual, organisational, and national investment.

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# 4. Recommendations

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Our study has shown that flexible working has become mainstream and attitudes are predominantly favourable. Those who have experienced 'strong' flexibility cite much higher job satisfaction and commitment.

When flexible working is adopted as part of a proactive reciprocal partnership between employer and employee, integrating both personal and organisational goals, it acts as a small but significant driver of organisational innovation, performance and productivity. If optimised more widely this could unlock billions of pounds worth of social and economic value.

However, a significant amount of ambivalence and suspicion still remains. The result, for some, is either a complete lack of adoption, or an uneasy, transactional and 'weak' form of exchange between employer and employee, with only limited gains and significant costs.

To increase optimal adoption, and close the gap between weak and strong flexibility we can suggest some initial recommendations under each of the themes identified in Chapter 3.

## **A renewed psychological contract**

- Explore and encourage new forms of wealth creating work arrangements that enhance traditional employer-employee relationships, such as mutualism, co-production and corporate venturing
- Encourage employers to place more emphasis on knowledge and skills utilisation in routine staff appraisals and performance assessments and explore how flexible working arrangements can be used to enhance performance and satisfaction at the personal and organisational levels
- Work with CBI, Trades Unions, CIPD and other organisations to research and promote optimised forms of flexibility, particularly focussing on changing some managers' and staff attitudes
- Develop new support packages and products for the self-employed with representative organisations such as the Freelancers' Union, and employment platforms such as Elance
- Develop a sustainable self-employment charter and kite mark to help codify the mutual responsibilities and commitments of commissioners and providers

### **Innovation in human capital measurement and tracking**

- Review existing (eg WERS, ONS) metrics of working practices and develop improved common metrics to help track adoption and costs/benefits of flexible working to individuals, organisations and economy/society
- Include in school curricula preparation for self-reliant lifelong learning and skills development for future ways of working and operating in tomorrow's labour markets
- Develop an open-source public domain benchmarking database to support development of flexible working together with associated tools and techniques
- Develop better national level indicators of the costs/benefits of flexible working and other working practices

### **Encouraging innovation in work**

- Establish an observatory on alternative working practices to showcase and share between interested parties successful practice in developing and sustaining better ways of working
- Create a national work innovation fund to run challenges and invest in new ideas for making better use of time, space and resources in the private, public and voluntary sectors. Initially this could focus on finding ways to reduce costs and barriers to flexible working
- Provide additional support to mid-sized businesses that require a more systematic and coordinated approach than their smaller counterparts but do not yet have the administrative resources to manage at scale
- Carry out further research into successful implementation of new ways of working and develop tools and techniques for optimisation of flexible working arrangements by individual organisations

### **Investment in the flexible infrastructure**

- Encourage the growth of flexible infrastructure (eg broadband) and invest in organisations that create localised working micro 'hubs' as part of public authorities' implementation of the Public Services (Social Value) Act 2012
- Aid the development of the micro-manufacturing/making infrastructure with new marketplaces for sharing resources such as physical assets, intellectual property, ICT infrastructure
- Government to direct public sector departments and agencies to make greater use of self-employed marketplaces (eg Elance) for procurement of goods and services
- Government to direct Job Centres to encourage unemployed people to investigate self-employment options via freelance marketplaces and provide them with relevant information and training

# Appendix

## Methodology

The online survey sample was sourced from general and business panels with broad representation of the working population. The study was confined to people in full and part-time employment and excluded self-employed.

Fieldwork was conducted in April 2013. The questionnaire consisted of quantitative and open-text questions that provided respondents the opportunity for expressing their views and opinions, in many cases, with considerable detail. A 10-dimensional model of flexible working was developed to create an overall index of flexible working adoption and enabled comparisons between different organisational characteristics such as size, industry and geographical region.

Multivariate statistical analysis techniques including cluster analysis, multiple regression and multiple discriminant analysis were employed to segment organisations according to their flexible working attributes and to identify and measure drivers of various aspects of organisational behaviour and performance.

The initial framework of a benchmarking tool was developed so that it could be carried forward into future tracking studies and for individual organisations to assess and compare their own adoption status and support their future planning and optimisation of their flexible working arrangements.

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