

# Working outside the box: Changing work to meet the future



## Interim report

Interim report of the EOC's investigation into the Transformation of Work



EUROPEAN UNION  
European Social Fund



Women. Men. Different. Equal.  
Equal Opportunities Commission

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## About the investigation

The Equal Opportunities Commission (EOC) is conducting a General Formal Investigation into the Transformation of Work, according to its statutory powers under section 57(1) of the Sex Discrimination Act, 1975. These allow the Commission to make recommendations for changes to policies and procedures and even to the law.

This report contains the interim findings of this groundbreaking investigation. Our aim has been to look to the future and to identify how work organisation can be changed to better meet both the changing aspirations of individuals for their working and family lives, and the business challenges facing employers in the increasingly global workplace of the 21st Century.

Our investigation has involved innovative working with employers and others to design new types of work. We have commissioned a range of new research including new surveys of individual and employer attitudes to work in the future, and future work trends. We have conducted focus groups with individuals and interviews with employers, including employer 'pioneers' in transforming work organisation. Our evidence and emerging findings so far have been discussed at a 'virtual think-tank' of leading academics and thinkers and by our investigation Advisory Group comprised of employers and policy-makers.

In the next phase of the investigation, we will be looking, with employers, at ways of re-designing the model of work itself, using investigation evidence of what types of flexibility people are looking for and what works best for business. Later this year we will be publishing practical guidance for employers facing different challenges to help them consider the way forward for the transformation of work. Our final investigation report will be published in April 2007.

# Working outside the box: Changing work to meet the future



## The Chief Executive's Statement

### Executive summary

The way we work no longer fits the world we live in. If it is changed, we could all win. If it isn't, we will all face a bleaker future: wasted potential, less time for caring, more stress-related problems and illnesses, continuing low pay for women and their families, reduced competitiveness for individual businesses and for the economy and, even, greater traffic congestion and environmental damage. In the most extensive, innovative investigation of its kind, this reports looks at the changing workforce, considers the other drivers of change faced by employers, and concludes that a transformation of work itself is needed if we are to face up to our future.

That's because the way we work is still largely designed around a mid-20th Century lifestyle - sole breadwinner men, with stay-at-home wives. This is a 'thing of the past' for new generations. Individual lifestyles and aspirations are changing dramatically. Nowadays, it is not just women but also men who want to work flexibly and for many different reasons. This trend looks set to grow as more people study, as more women work, as the population ages and the retirement age is extended. Moreover, it's not just men who look forward to a career and women who are prepared to sacrifice career for family.

Young people of both sexes want to combine work and family life successfully and new fathers want to be active parents. 60% of people support the extension of the right to request flexible working to all employees. Half of adults we surveyed, a higher proportion of men than women, said they would like to work more flexibly (Holmes et al., 2007).<sup>1</sup> Flexible working itself is changing. It's not just 'reduced hours', with reduced annual pay, that many people want - and they certainly don't want the reduced hourly rate of pay and poor career prospects that are often associated with part-time female workers today. Increasingly, people of both sexes are seeking spatial and time flexibility - doing the same work but at different times and in different places, for the same pay. And with incentives and rewards re-designed around new ways of working and no longer determined by long hours and presenteeism.

The way we work is also failing to catch up quickly enough with the changing economic environment - 24/7 services, rapidly advancing technology, global workforces and activities, with global competition. Britain is falling behind key competitors in productivity, especially productivity per hour. We are rightly investing more in education and skill levels to help close the productivity gap. But workplace cultures and practices are preventing many people from using those skills. We have uncovered evidence that 6.5 million people are 'leaking away'. 4.8 million people are not fully using their skills and experience at work and say they would have made different job choices if flexible working had been available. A further 1.7 million people out of work say that flexible working would encourage them back into employment (EOC, 2007).<sup>2</sup> Despite continuing graduate skill shortages, a minority of female graduates are now in high-level jobs and the trend is getting worse - 45% of women qualified to level 4+ compared with 65% 10 years ago (Jones and Dickerson, 2007).<sup>3</sup> Unless these barriers are tackled, a significant part of our public and personal investment in education and skills will continue to be wasted.

The most forward-looking employers have already seen the future. They are responding and the results are exciting. Innovation and technology provide the potential to re-define the way we work so that businesses can operate longer and achieve better results faster in more varied ways - and with a modern, flexible and productive workforce. Innovative employers are increasingly moving away from simply flexing time to re-designing work around business objectives as part of a new dialogue with employees. New and exciting models of work are appearing for different types of businesses in different sectors. These pioneering employers are transforming work today and are finding that it's not just good for their employees and for wider society. It brings significant bottom-line benefits too.

Change is happening, just not fast enough. Many employers say that flexible working is available but employees seem far less aware of this: an implementation gap. 60% of people in our survey had not seen any information about jobs where flexible working practices were available (Holmes et al., 2007). Flexibility is sometimes seen as an employee benefit, particularly for parents,

and the business benefits as simply a side effect. Middle managers often lack the skills and confidence to move from managing hours to managing outputs. The importance of flexibility to Britain's economy is not widely understood.

Britain's way of working is looking increasingly unsustainable as we look to the future. On the one hand, endemic long hours, particularly for men and increasing work intensification, particularly for women, are squeezing out time for caring and increasing illness and stress and leading to wider social costs. On the other hand, employers in key sectors face a challenge for the future to recruit and retain highly-skilled people because their ways of working are increasingly unattractive to their workforce. New ways of working are the key to a more sustainable economic model.

A step-change is needed if we are to make the most of our future and bring the benefits to individuals, to businesses and to Britain as a whole that this report identifies. Providing flexibility needs to be at the heart of economic policy, seen as a key tool for improving Britain's productivity. Transforming work organisation needs to move from the sidelines to the mainstream in business thinking and economic policy. This interim report from the EOC's two-year investigation makes recommendations about how this could be achieved. The final investigation report in April 2007 will look at how different models of work can be opened up. These points are covered in more depth in the next section.

## The workplace of the future for the future workforce

### A workplace of the future?

*"We run as a virtual firm, all our lawyers and typists/support staff work from home on total flexi-time and flexi-holidays. We have no offices. We get incredibly high-quality lawyers from top firms joining us because of the lifestyle they can achieve. We would never attract those lawyers to a small firm like ours without this flexibility. We have never had any issue with trust or how long people have worked etc. Good professional people know what hours to work and don't need it enforced."* Woolley & Co, Solicitors

During this investigation, we asked people in focus groups to think outside the box and imagine their ideal world of work of the future. Overwhelmingly, they wanted not set hours but to choose which hours they work, provided the job is done, with a combination of workplace and home-working, with less or faster commuting and flexibility to enable parents to work around school hours. These were endorsed by the findings in our review of people's aspirations (Holmes et al., 2007).

This isn't a pipe dream. It is already beginning to happen: for example, between 2002 and 2005 the proportion of fathers working from home doubled from 14% to 29% (Smeaton and Marsh, 2006). While 70% of women with children aged under six identified part-time work as ideal, for women and men with older children, around 70% said they would ideally like full-time fixed or full-time flexible working (The Work Foundation, 2005). It isn't a minority who want change: 50% of adults (52% men and 48% women) said they would like to work more flexible hours (Holmes et al., 2007).

Aspirations are changing and are getting closer between the two sexes. In a survey of 15-year olds, 86% of boys and 88% of girls said that choosing a career with long-term prospects was important and 83% of girls and 68% of boys wanted a job that would enable them to combine work and family life (Fuller et al., 2005). In the Working in Britain survey (2000), women rated 'use of abilities' second only to 'work you enjoy' in a list of what aspects of their jobs they regarded as essential or very important, ranking this higher than men.

People want flexibility for different reasons - from parenting, caring for older relatives, studying, reducing hours around retirement, to work in the community and wider interests. Looking to the future, it is clear that the social revolution we are seeing is likely to continue and demand for flexible working is likely to grow:

- » More women will be working. It is expected that women will occupy a significant proportion of the new jobs, with more returning to work sooner after childbirth and more dual-earner householders (Holmes et al., 2007).
- » By 2010, nearly 10 million people will have caring responsibilities for an older relative due to the ageing population (DWP, 2001).
- » Men are likely to be more active fathers. EOC surveys of new parents show that the majority of new fathers no longer see their key role as breadwinner and 4 out of 5 say they would be happy to stay at home alone to look after the baby (Thompson et al., 2006).
- » The Government's target of getting 50% of young people into higher education by 2010 will mean that even more young people are likely to want to work and study at the same time.
- » The planned extension of the state retirement age is likely to lead to more older people wanting to work reduced hours around retirement (Holmes et al., 2007).

## Transforming work works for employers

It's not just the changing requirements of their workforce that are making employers look at spatial and time flexible working as well as finding new ways for people to work reduced hours. Technological change is opening up opportunities, including work across the globe from different sites, and making it easier to provide goods and services globally across all hours. Customers in Britain are increasingly looking for 24/7 services.

The environment is also becoming increasingly competitive. In the global market place, our competitive advantage in high-skill jobs in the knowledge economy is increasingly coming under threat from the emerging economies of India and China. Britain as a whole already faces a productivity gap with our competitors, with output per hour currently almost 30% higher in France and 16% higher in Germany and in the USA (DTI, 2006). This is forcing employers to look at ways to increase productivity and cut costs as well as to recruit and retain the best people.

Some employers are already innovating in the way they work and finding that it helps them provide what customers want and other bottom line business benefits. Our investigation has found a strong business case for increasing flexibility and innovative ways of working. Wide scale evidence is not always available because improvements are not consistently measured. However, employers have reported a positive impact on:

- » Premises costs, which currently run at approximately one-tenth of employer outgoings (Smeaton et al., 2007).<sup>4</sup>
- » Customer service and satisfaction. A 2005 DTI report also charted the benefits enjoyed by a number of case study firms, which established innovative working patterns to deliver services over more hours (DTI, 2005a).
- » Employee engagement. British businesses are experiencing growing levels of employee disengagement and are in the bottom 25% compared to other countries (Towers Perrin, 2006). Research shows a strong link between high employee satisfaction and superior job performance (Jones et al., 2007).
- » Absenteeism, which is on the rise. The CBI estimates that it cost £13 billion in 2005 (CBI and AXA, 2006). 66% of organisations responding to a Work Foundation survey in 2002, said that they found flexible working helped reduce absenteeism (The Work Foundation, 2002).
- » Wellbeing. Since the 1970s, seven times more people are suffering from minor health problems. In 2002, an average of 10 sick days per year per employee were taken (The Work Foundation, 2002). A Chartered Institute of Personnel and Development (CIPD) survey reported that on average, sickness absence costs employers £601 per employee per annum, equating to an average 8.4 days lost per employee (CIPD, 2006a). Research suggests that workers who have higher levels of control and autonomy in their work are much less likely to suffer from health problems than those with less control.
- » Recruitment and retention. Our survey of employers found that 38% had experienced difficulties in recruiting staff in the previous 18 months (Smeaton et al., 2007). Over 50% of the employers surveyed by the Association of Graduate Recruiters said that their retention rates needed improving (AGR, 2006a). Research in 2000 found that some small businesses saved up to £250,000 through reducing staff turnover, simply by using flexible working policies (DTI, 2005b).

Moreover, the DTI's Second Work-Life Balance Survey (2003) said that the majority of employers who provide work-life balance practices reported that they had a positive impact on employee relations (71%), employee commitment and motivation (69%) and labour turnover (54%). Nearly half stated that these practices had a positive effect upon recruitment (47%),

absenteeism (48%) and productivity (49%) (Woodland et al., 2003). Other studies have similarly found that flexible policies lead to superior recruitment, retention and performance levels and lowered absenteeism (Savage, 2000; Knell and Savage, 2001).

For some employers, introducing flexibility is daunting with the demand unknown - though consultation will help - and with the beneficial outcomes uncertain. Sharing of the wide range of business benefits, uncovered in our investigation, will help to support employers facing this challenge.

### McDonald's Family Contract

The family contract is a new innovation in flexible working being piloted by McDonalds, enabling two people from the same family to cover each other's shifts, with no prior notice. McDonalds sees this as a UK first which could re-define flexible working as we know it. By giving employees the freedom to manage their shift commitments, McDonalds believes this will increase staff motivation and enjoyment of work.

## An unsustainable workplace

*"There is today a global market for skilled people. China and India are turning out 4 million graduates a year, Britain 250,000, and these people are not only raising skills in their countries, but challenging us in Britain and other advanced countries in a race to the top. If we are to succeed in the global economy, it is clear that we will have to make more of the potential of our people."*

Rt Hon Gordon Brown, MP, Chancellor of the Exchequer, in a speech to the CBI, November 2006

If we don't change more radically now, the future not only looks bleak, it looks increasingly unsustainable for individuals, for employers and for society, with wasted potential and talent, low pay for women, lack of time for caring, increased stress and illness, and even environmental consequences.

First, inflexibility is creating a massive waste of talent and potential, with talent draining away as if through leaky pipes at a time when more and more investment is being made in skills and global competition is increasing.

Our new research has found that 6.5 million people in Britain today could be using their skills more fully if more flexible working were available, either by working or working at a level at which they used to work. 3 million of these 6.5 million people are parents of under 16s, but

the majority are not. 35% of people not working could be encouraged back into work if flexible working were available (EOC, 2007).

At a time when graduate skill shortages have been increasing, the proportion of women graduates in low-level jobs - the bottom 25% of all jobs - has almost trebled, from 5% in 1995 to 13% in 2005 (Jones and Dickerson, 2007). 1 in 10 women with degrees work in low-level jobs throughout their working lives. A minority of female graduates are now in high-level jobs - 45%, compared to 65% 10 years ago (Jones and Dickerson, 2007). This under-use of skills is happening despite 22% of AGR employers anticipating that they would not be able to fill all graduate vacancies for 2006 (AGR, 2006a).

Some women leave work altogether. The fact that there is a different pattern between the public and private sectors suggests things could be changed: a recent EOC statistical analysis has shown, for example, that among women who were working full-time before childbirth with supervisory or managerial responsibilities, 20% of those who had been working in the private sector were no longer in the labour market in the year after the birth. In contrast, only 9% of the women in this group who had previously been working in the public sector had left the labour market (Johnes, 2006).

Second, our way of working is leading to low pay for women, stress, illness and wider social costs, including lack of time for caring. Instead of looking toward flexibility, many employers, faced with the productivity gap with other countries, seek longer hours or work intensification. There remains a time/pay gender divide. Men are more likely to work long hours than women - and men in full-time work are working among the longest hours in the EU (Eurostat, 2007). Women, in contrast, tend to work part-time but face an hourly pay gap, of nearly 40%, compared to men working full-time, almost the same as 30 years ago, and with poor career prospects too (EOC, 2006a). Work intensification hits them particularly. In 2006, two-thirds of employers were working their managerial and professional staff harder than three years previously. Employers were particularly likely to do so in the public sector, and in workplaces where women dominate (Smeaton et al., 2007). Both long hours and work intensification increase pressures on individuals and may well be linked to wider social breakdown and human costs, including illness and stress, that impact not just on employers but on the wider society.

People are straining at the seams, finding it difficult to cope with work and caring. The importance of good parenting is increasingly recognised as key to children's outcomes, yet working parents are increasingly struggling to spend quality time with their children (Stanley et al., 2006). Unsurprisingly, 70% of people in polling commissioned by the EOC in 2006 were concerned about what family life will be like for their children and grandchildren in the future, with nearly half very concerned.

Third, current ways of working could even damage the environment. In response to the challenges set by the Stern and Eddington reports in 2006, another potential benefit of flexible hours and home-working is staggering the rush hour and reducing traffic congestion and pollution. With the added business benefit of improving the speed of transporting goods to meet consumer demand.

In the end, the way we work now may prove unsustainable even for businesses, as the legal profession, for example, is beginning to find...

### The legal profession: a case study

Recent research has revealed that 64% of legal employees surveyed are already planning a medium-term end point to their career, potentially creating a talent drought for future employers.

The majority of legal professionals claim to be fatigued with the long hours culture of the profession, while over a quarter of those surveyed expressed concern that the legal profession's innate culture of working long hours is acting as a major deterrent for potential new recruits, as well as encouraging those within it already to consider their exits...

The fact that so many employees are already considering how they exit the profession is cause for concern and the emergence of this 'burn-out' mentality poses a real danger to employers and to the legal industry's talent pool. To attract new recruits and retain those already working in the profession, legal employers will need to adopt more flexible working practices and consider the benefits of attracting an increasingly diverse workforce to meet their recruitment needs. [Legal Estates Journal, January 2005](#)

## What needs to change? Key recommendations

Fundamental change is needed in workplace culture and practice if these problems for individuals, employers and society are to be avoided, and the full benefits of flexibility realised. There is still a tendency to see flexible working, particularly part-time working, as a deviation from the norm, justifying lower pay and prospects. Employers surveyed considered the career prospects of part-time staff to be as good as those of full-time staff in only 52% of male-dominated workplaces (Smeaton et al., 2007). This is likely to continue to be the case while flexible working is only available to certain groups, particularly women.

Change will only happen if it happens in individual workplaces. To support that process, the EOC, with employers, is looking at ways that work can be re-designed and we will be developing practical guidance, to be launched at the end of the investigation. This section focuses on helping to set a wider framework to enable transformation of working practices to happen.

Some change could be achieved simply by tackling the 'implementation gap' and better publicising the flexible working that is currently available. While flexible working is reported to be widely available by employers, and growing, many employees are still unaware of this. 60% of people in our survey had not seen any information about jobs where flexible working practices were available. People told us in focus groups that they had limited knowledge, understanding, support or guidance on opportunities to work differently at any point in their lives (Holmes et al., 2007). This implementation gap presents a big cultural and leadership challenge in organisations.

It is clear that many managers are struggling to catch up with change and need support and training in order to manage flexibility effectively. For example, a survey by the Future Laboratory for Standard Life Bank in 2005, found that up to 2.8 million managers in the UK were pushed to the limits by changes such as flattened management structures, self negotiated hours and remote working. In an EOC 2005 survey of HR professionals, virtually everyone said that managers needed to be trained for flexible working to work effectively - but only 1 in 8 said that their own organisation provided sufficient training in how to manage flexible working (EOC, 2005).

At the same time, it is clear from our research that many people would like to work flexibly but may not have the confidence to talk about it with their existing - or future - employers. This may be partly because they feel it could signal 'career death' and partly because what they want is not currently available. A positive, simple step that all employers could take would be to open up a conversation with their employees about flexible working.

The right to request flexible working was introduced in 2003 for parents of young children and is being extended to carers from April 2007. This too has helped to give more people the confidence to start that conversation; and, while knowledge of it could be more widespread, it has also been widely used. It is already having a positive effect: the proportion of mothers changing their employer after childbirth fell from 41% to 20% between 2002 and 2005 (Smeaton and Marsh, 2006). In our recent survey, 60% of people said that the right to request should be extended to all employees (Holmes et al., 2007).

## MSN - turning around the long-hours culture

A staff survey at MSN revealed that a massive 64% were considering leaving because of the company's long-hours culture. Their MD led an extensive culture change programme to try and turn around this low staff satisfaction. Various options were put forward including working from home, flexible working, compressed week, and compressed fortnight. Managers were then asked to pilot the scheme, and tailor a programme to meet both their work-life balance needs and the business objectives. For example, the Sales Director leaves each day at 4:45pm and works from home on Fridays. A key component of this programme was management 'leading by example', to demonstrate the organisation's commitment to transforming the mode of working. The scheme was then rolled out across the organisation with great success. The increased flexibility has been used in a variety of ways. 75% of staff don't have children, and many have used the opportunity to pursue an interest or hobby - one person learned how to play polo! Productivity has increased by 60% and customer service levels have improved by 80%. 90% of staff now want to stay with the company and their work environment is the envy of others in their sector.

A number of employers have recognised confining flexible work options to parents could cause resentment in other workers and so have allowed or encouraged the possibility of flexible working to all employees. Most of the employers with formal policies are corporate organisations such as BT, LTSB and Prudential, but some smaller businesses are also offering flexible working to the full range of staff. These companies are reporting business benefits as well as increased staff satisfaction as a result of opening up flexibility in innovative ways to all staff.

These companies are reporting business benefits as well as increased staff satisfaction as a result of opening up flexibility in innovative ways to all staff.

*“Women are already transforming the British economy. But women could achieve so much more if we could break down those barriers that hold them back. It is the failure of past Governments, Labour and Conservative alike, and a failure of the Treasury in the past. For too long the equality issue has been marginalised and seen as part of social policy, not macro-economic policy.”*

Rt Hon Gordon Brown, MP, Chancellor of the Exchequer at the EOC's Gender and Productivity Summit, October 2004

Government emphasis on increasing skills in the economy is welcome but its value is diminished while lack of flexible working is preventing people from using their skills. Providing flexibility needs to be at the heart of economic policy, seen as a key tool for improving Britain's productivity. To achieve this, public policy needs to provide more support for everyone to find ways to use their skills when they want to work flexibly. Careers advice at all stages would be of considerable advantage, together with more support through Jobcentre Plus for people looking for flexible options.

We are therefore making the following three key recommendations, with more detailed recommendations set out in the full report.

- » Greater acknowledgement across Government that flexibility can reduce leakages of skilled workers and is therefore a key strategy for improving productivity, with targets to reduce under-use of skills and support for people to work flexibly through public policy, including adult careers advice and Jobcentre Plus action to match people and flexible work.
- » Employers to tell their staff about flexible working options, discuss what kind of flexible working they'd like, and train their managers in delivering it.
- » Extension of the current statutory right to ask for flexible working to everyone to help open up that conversation.

## Next steps

The EOC will be working with Government and employers to progress the interim investigation recommendations. In response to investigation evidence of what types of flexibility people are looking for and what works best for business, we will be looking with employers at ways of re-designing the model of work itself. Later this year we hope to publish practical guidance for employers facing different challenges to help them consider the way forward for the transformation of work. Our final investigation report will be published in April 2007.

# The challenge



Working Parents

*"You are told to expect everything, but society hasn't moved on yet."*

Woman on career break, Manchester

The world is changing rapidly, driven by technology, education and the opening up of a wide range of opportunities that were not available to our parent's generation. Alongside this, individual lifestyles and aspirations are changing dramatically. Today's young men and women want to do things differently, to make choices about work and home life that consign to history the model of male breadwinner and supporting wife and mother. Women with good education achievements are looking for well-paid careers with the flexibility to combine caring and work. Men increasingly want to spend more time with their children and to be active fathers alongside their careers. This convergence of roles is evidenced by statistics that show that in 68% of couples with dependent children, both parents work (Walling, 2005) and 7 out of 10 fathers with a child under 15 months, would like to be more involved with the care of their child (Thompson et al., 2006).

Nearly 7 in 10 women and men in our 2006 polling agreed or agreed strongly that women and men's lives are becoming more alike in terms of their need to balance work and family life. But for women to achieve their work aspirations they are having to squeeze into the inflexible and outdated model of work - that men too are now rejecting. The way we work no longer fits the world we live in. The workplace of today, designed around a mid-20th Century lifestyle, no longer works well for new generations of men or women in the 21st Century.

People from all backgrounds are looking for greater flexibility in the way they work to help improve the quality of their lives, help them reduce stress and cope with caring responsibilities. This trend is set to grow as more people study, as more women work, as the population ages and the retirement age is extended.

Flexible working itself is changing. It's not just 'reduced' hours, with reduced annual pay, that many people want - and they certainly don't want the reduced hourly rate of pay and poor career prospects that are often associated with part-time female workers today. Increasingly, people of both sexes are seeking a 'new deal' at work, with spatial and time flexibility - doing the same work but at different times and in different places, for the same pay. And with incentives and rewards re-designed around new ways of working and no longer determined by long hours and presenteeism.

Businesses too are facing unprecedented change. Global markets, increased use of technology and the internet and rising expectations of business 24/7 are re-writing the economic world map and opening up new opportunities. Britain's labour market is already changing - agriculture, manufacturing and elementary, unskilled manual work is giving way to high-skilled jobs in management and the professions, in the knowledge sectors, and in services. Jobs are likely to increase in skill levels, as the UK seeks to move up the value chain. At the same time, an increase is expected in low-skilled work in the service sector such as personal care work, currently characterised by a predominantly female workforce in low quality, poorly paid jobs.

The UK labour market is facing new challenges that demand better use of high-level skills, smarter working and greater productivity. Our competitive advantage in high-skill jobs in the knowledge economy is coming under increasing threat from the emerging economies of India and China. 70% of the workforce of 2020 is already in work today (Brown, 2006), but despite the drive to develop more skills and qualifications, many people are constrained in their work choices and working well under their potential. Greater flexibility can lead to greater use of skills and help to close the productivity gap with our competitors - output per hour is currently almost 30% higher in France and 16% higher in Germany and in the USA (DTI, 2006).

The most forward-looking employers have already seen the future. They are responding and the results are exciting. These pioneering employers are transforming work today and are finding that it's not just good for their employees and for wider society. It brings significant bottom line benefits too.

Other employers lag behind. There is an 'implementation gap' between the policies employers say they have and what their employees think is available. Flexibility is sometimes seen as an employee benefit, particularly for parents, and the business benefits as simply a side effect. Middle managers often lack the skills and confidence to move from managing hours to managing outputs. The importance of flexibility to Britain's economy is not widely understood.

Nonetheless, Britain's way of working is looking increasingly unsustainable as we look to the future. On the one hand, endemic long hours, particularly for men, and increasing work intensification, particularly for women, are squeezing out time for caring and increasing illness and stress, leading to wider social costs. On the other hand, employers with long hours increasingly face a challenge for the future to recruit and retain highly-skilled people because their ways of working are increasingly unattractive to their workforce.

Despite increases in education and training, we have uncovered evidence that 6.5 million people are 'leaking away' - ie. not using their education, skills or management experience in the labour market, yet who might do so if flexible working were more widely available (EOC, 2007).

A step-change is needed if we are to make the most of our future and bring the benefits to individuals, to businesses and to Britain as whole that this report identifies. Flexibility needs to move from the sidelines to the mainstream in business thinking and economic policy.

## The investigation

In this interim report from the EOC's extensive and innovative two-year investigation, we assess how far we are future-proofing Britain for life and work in the 21st Century and what needs to change to support economic prosperity and the social change that people want.

We look at the changing workforce, and examine the extent to which people, and women particularly, will be able to take advantage of better education and move into high-skill jobs - or whether they will continue to dominate part-time low-skill, low-pay jobs, dragging the economy down.

We consider the other drivers of change faced by employers and present some case studies of the pioneering employers who have responded to the challenges and introduced a new flexibility deal for their employees - and chart the business benefits this has brought. In contrast, we identify the penalties of no change for businesses.

We ask what action needs to be taken to achieve the win-win, where new ways of working give women and men greater control and more choice over how they combine their work and caring roles, delivering business benefits and greater success for the economy.

Our investigation has found a strong case for change, with economic, business and social drivers that point to the need for a transformation of work itself if we are to face up to our future.

To deliver to these new economic and individual aspirations requires a transformation - a radical re-think of the way we work. Innovation and technology provide the potential to re-define the model of how we work so that businesses can operate longer and achieve better results faster in more varied ways - and with a modern, productive workforce that are able to deliver their work outputs from different locations at different times and still have a satisfying life beyond work.

There is already evidence of transformation taking place. Innovative employers are increasingly moving away from simply flexing time to re-designing work around business objectives as part of a new dialogue with employees. New and exciting models of work are appearing for different types of businesses in different sectors. The rewards for business, for employees and for society more widely are high.

Our investigation provides strong evidence that transforming work can be the key to a successful future for Britain. It would deliver greater returns to investment in education by enabling people to use their skills in the market place. It would also lead to higher productivity by replacing expensive working practices. Providing flexibility needs to be at the heart of economic policy, seen as a key tool for improving Britain's productivity.

Our investigation has found that this is what many more people want and innovative employers know that it is delivering for them. We have found many examples of the significant benefits enjoyed by employers who have re-designed their work organisation. We have also found evidence of the positive impact on the lives of men and women who are able to work out 'of the box'. This is transformation in practice, where greater flexibility in ways of working supports a better future for individuals, society, and our economy.

This interim report makes recommendations about how this could be achieved. The final report in April 2007 will look at how different models of work can be opened up.

# The workplace of the future for the future workforce



The Staff Car Park

## The Ideal World of Work

During the investigation, we asked people in focus groups to imagine what their ideal 'planet work' would look like in the future.

### Being given the opportunity to work flexibly

Compressed hours or flexi-time, combination of workplace and home-working, work around school pick-up times, bright airy offices, childcare at work, ie. creche in building, less/faster commuting, free travel to work (Holmes et al., 2007).

Our review of aspirations shows that the needs and expectations of the workforce in Britain in the 21st Century is very different from 20 years ago.

In an ideal world, most individuals want a well-paid, interesting job which uses their skills and which provides opportunities for development - all within a flexible time regime without the need for overlong hours. Half of adults we surveyed, 52% men and 48% women, said they would like to work more flexible hours (Holmes et al., 2007).

*“If everyone wants to work smarter to get more time for themselves, they’ll benefit.”* Working man, Manchester

Aspirations are changing and are getting closer between the two sexes. In a 2005 EOC survey of 15-year olds, 86% of boys and 88% of girls said that choosing a career with long term prospects was important and 83% of girls and 68% of boys wanted a job that would enable them to combine work and family life (Fuller et al., 2005). This was endorsed by an EOC survey in 2006, which found that 90% of young people, boys and girls, want to balance career and family life in their future job and opportunities for flexible working are important when they come to choose their careers (Bhavnani, 2006).

In a new survey of HR professionals in 11 countries, 83% claimed that Generation Y (born after 1987) were motivated by different workplace benefits than older age groups with flexibility of hours and career development highest among their expectations. Work-life balance is high on their agenda and to promote this they demand flexibility, telecommuting options, part-time opportunities and the ability to leave the workforce temporarily for significant events (Holmes et al., 2007).

There has been a significant increase in the numbers of mothers returning to work after childbirth. Between 1992-1997, 32% of women who had previously worked full-time were not working in the labour market in the following year; by 1998-2003, this proportion had fallen to 19% (Johnes, 2006). Statistics show that the employment rate for mothers in 2005 in Great Britain was 67% (EOC, 2006a) and the lone parents rate in 2004 was 53% (Walling, 2005).

The desire to work differently and to create better work-life balance is not confined to women with caring responsibilities. Our investigation has found strong evidence that men too are seeking greater flexibility in the way they work.

Our survey of individuals revealed that, overall, substantial numbers of men want to work flexible hours and are unhappy with their work-life balance. In London, the desire for more flexible working was highest and broadly even: 54% men and 57% women. In the South East and the North however, a higher proportion of men than women would like to work more flexible hours.

### Regional variations

South East -	men (52%)	women (41%)
North -	men (54%)	women (48%)
Midlands -	men (45%)	women (52%)

On work-life balance, levels of satisfaction among men reveal that many are unhappy with their current situation. The average of all men is 32% unhappy, with slightly more men in the South East 34% and highest of all, men in London (40%) (Holmes et al., 2007).

The DTI Maternity and Paternity Rights Survey 2006 suggests that the use of flexi-time by fathers trebled between 2002 - 2005 from 11% to 31% and working from home doubled from 14% to 29%. This shows that there is a clear demand from men for certain types of flexibility and its use is growing (Smeaton and Marsh, 2006).

A 2005 survey found that older workers aged 55 and above wish to remain in active employment well into their 60s - some for financial reasons but most because they enjoy their work (Williams and Jones, 2005). Most older people would like to see a flexible approach to retirement so they can contribute productively and earn a living as long as they feel fit and able (Holmes et al., 2007).

**Nationwide** introduced flexible retirement contracts (anytime between 60 and 70) about five years ago and after a recent re-assessment raised their top age of working to 75 and harmonised benefits (including private health insurance) for all their workforce. They had produced a developed cost/benefit case to show the impact on their bottom line. By keeping 220 people a year, post 60, they saved recruitment costs of £1.8 million per annum.

*“Working in a flexible working environment allows me to look after my elderly parent and to balance my work and caring responsibilities.”*

*Part-time worker with caring responsibilities*

Evidence shows that people want different types of flexibility throughout their lives - to be able to match their work with their changing life commitments.

Part-time hours are most popular among young men entering the labour market, older men in the period leading up to retirement and among women following childbirth. For most employees, however, the flexibility afforded by part-time hours is not financially viable. Part-time hours entail part-time pay. Other forms of flexibility are therefore often preferred, such as flexi-time or compressed weeks/fortnights, as they do not incur a financial penalty (Smeaton et al., 2007).

A survey by The Work Foundation found that while 70% of women with children up to the age of six identified part-time work as ideal, for men and women with children aged six-16, the majority (around 70%) would ideally like full-time fixed or full-time flexible working (Williams and Jones, 2005). The Second Work-Life Survey revealed that when asked about changing their working hours, considering their personal circumstances, employees were twice as likely to say that they would prefer to work longer hours for more pay (30%) than shorter hours for less pay (14%) (Stevens et al., 2004). Fathers have expressed a preference for more flexibility in the arrangement of their working hours rather than shorter hours, to spend more time with the family (Holmes et al., 2007).

*“At Domino we offer flexible working for parents. It is about understanding business needs and an individual’s requirements. We offer emergency leave, flexible start and finish times, and provide childcare vouchers. More and more men are doing the school run so they need flexible hours too. It is increasingly acceptable to make these requests. I think the future holds more flexibility and more remote working. I travel all over the world for my job but there are times when I have to be at the school gate.”* HR Director, Domino Printing Sciences Plc

### People want to use their skills

In the Work in Britain survey (2000), women rated use of abilities second only to ‘work you enjoy’ in a list of what aspects of their jobs they regarded as essential or very important, ranking this higher than men. A 2005 survey comparing employed and self-employed found that the two key factors with the starkest difference in satisfaction levels were the opportunity to use your abilities and the ability to use one’s own initiative, indicating the high value placed on skills-use and autonomy (Holmes et al., 2007).

### People want more control over working time

Having more control over how jobs are done is paramount for people, not the length of time worked. Over two-fifths of full-time employees agreed that if given more control over time, they would be more productive (Jones, A. 2003). This is supported by findings that the self-employed are consistently more satisfied with their jobs than employees despite the fact that they work much longer hours on average with often low and unreliable levels of income (Holmes et al., 2007; Jones, A. 2003).

*“I train others to set up their own, home-based business which allows me part-time, flexible work for a full-time income. I can be at the school gate, I can take days off if he is sick. But I have a stimulating role that is well-paid. And I love it. Mothers don’t normally manage to get all of this but I have found it. We have a long term plan to replace Dan’s income so he can enjoy more flexibility too.”* Mother running her own business

In our survey, the most popular flexible working options were: time off in lieu (used by 79% of respondents to whom this was available); working from home (73%); flexi-time (71%); part-time working (50%) (Holmes et al., 2007).

Our investigation shows that individuals want work that better matches their 21st Century lives. This desire for more made-to-measure work is not just a women’s issue or confined to the middle classes. Rather, our investigation has found universal support for new flexibilities in the way work is organised.

Looking to the future, it is clear that the social revolution we are seeing is likely to continue and demand for flexible working is likely to grow:

- » More women will be working. It is expected that women will occupy a significant proportion of the new jobs, with more returning to work sooner after childbirth and more dual-earner householders (Holmes et al., 2007).
- » By 2010, nearly 10 million people will have caring responsibilities for an older relative due to the ageing population (DWP, 2001).
- » Men are likely to be more active fathers. EOC surveys of new parents show that the majority of fathers no longer see their key role as breadwinner and 4 out of 5 with a child under 15 months say they would be happy to stay at home alone to look after the baby (Thompson et al., 2006).
- » The Government's target of getting 50% of young people into higher education by 2010 will mean that even more young people are likely to want to work and study at the same time.
- » The planned extension of the state retirement age is likely to lead to more older people wanting to work reduced hours around retirement (Holmes et al., 2007).

Creating the workplace of the future would support people in living their lives in the way that they want - with more control over how and when work is done, more time for caring and a better balance in working and home lives leading to greater wellbeing. It would lead to a closing of the time and income gender divide, with women as well as men finding flexible work at all levels, being able to use their qualifications and to enjoy the rewards that are so important to the quality of life outside work.

# Transforming work works for employers



## The Production Line

It's not just the changing requirements of their workforce that are making employers look at spatial and time flexible working as well as finding new ways for people to work reduced hours. Technological change is opening up opportunities, including work across the globe from different sites, and making it easier to provide goods and services globally across all hours. Customers in Britain are increasingly looking for 24/7 services.

The business environment is also becoming increasingly competitive. In the global market place, our competitive advantage in high-skill jobs in the knowledge economy is increasingly coming under threat from the emerging economies of India and China.

Britain as a whole already faces a productivity gap with our competitors, with output per hour currently almost 30% higher in France and 16% higher in Germany and in the USA (DTI, 2006). This is forcing employers to look at ways to increase productivity and cut costs as well as to recruit and retain the best people.

Some employers are already innovating in the way they work and finding that it helps them provide what customers want and provides other bottom line business benefits.

Our investigation has found a strong business case for increasing flexibility and innovative ways of working, with evidence of a positive impact on premises costs, customer service and satisfaction, employee engagement, absenteeism, wellbeing, recruitment, retention and productivity.

Leading employers already have indicators in place to demonstrate the effectiveness of increased flexibility on these different aspects of their businesses. The Second Work-Life Balance Survey (2003) indicated that the majority of employers who provide flexible working practices reported that they had a positive impact on employee relations (71%), employee commitment and motivation (69%) and labour turnover (54%). Nearly half stated that these work-life balance practices had a positive effect upon recruitment (47%), absenteeism (48%) and productivity (49%) (Woodland et al., 2003).

Two-thirds (66%) of employers who provided some form of work-life balance practice(s) said they considered the practice(s) to have been cost effective (Woodland et al., 2003).

## Transformation in practice

There is already innovative practice as well as employers leading the agenda for change and effectively re-organising how their employees deliver business objectives, productivity and profits.

### 'Anytime, Anywhere' - breaking the presenteeism culture

Out of BT's 100,000-strong workforce, many are working flexibly - whether they are home-workers, nomadic workers or on annualised hours. It has developed an 'anytime, anywhere' approach to working that allows many employees to control the hours and location of their working day. This approach has been driven by a move to an output-based or outcome-based performance management system, which measures not how much or how people work but what they deliver. Job design has been crucial in ensuring that employees have good work-life balance and can stay in control of their working time. This flexibility has provided the organisation with tangible benefits including an estimated saving of £5 million in recruitment costs by retaining 99% of their female employees who take maternity leave and a 25% reduction in stress-related absence in its Customer Service Centres. Home-working policies have resulted in an estimated £5-6 million extra in terms of productive time saved, up to 31% increase in productivity and savings of £70 million each year from reduced accommodation and overhead costs.

*“We empower people to make decisions for themselves, and with their managers decisions about the quality and timeliness of what they deliver. We hope this will help us prevent the slip into the kind of very intensified jobs which are almost de-humanised. In an organisation where 75% of people work flexibly we have broken the presenteeism culture. It is not about whether you are seen to be there or not, because most people actually aren’t. It is what you are seen to deliver and that is a major step forward in managing the cultural change.”* Caroline Waters, Director, People & Policy, BT

### MSN - turning around the long-hours culture

A staff survey at MSN revealed that a massive 64% were considering leaving because of the company’s long-hours culture. Their MD led an extensive culture change programme to try and turn around this low staff satisfaction. Various options were put forward including working from home, flexible working, compressed week, and compressed fortnight. Managers were then asked to pilot the scheme, and tailor a programme to meet both their work-life balance needs and the business objectives. For example, the Sales Director leaves each day at 4:45pm and works from home on Fridays. A key component of this programme was management ‘leading by example’, to demonstrate the organisation’s commitment to transforming the mode of working. The scheme was then rolled out across the organisation with great success. The increased flexibility has been used in a variety of ways. 75% of staff don’t have children, and many have used the opportunity to pursue an interest or hobby - one person learned how to play polo! Productivity has increased by 60% and customer service levels have improved by 80%. 90% of staff now want to stay with the company and their work environment is the envy of others in their sector.

### McDonald’s Family Contract

The family contract is a new innovation in flexible working being piloted by McDonalds, enabling two people from the same family to cover each other’s shifts - with no prior notice. McDonalds sees this as a UK first which could re-define flexible working as we know it. By giving employees the freedom to manage their shift commitments, McDonalds believes this will increase staff motivation and enjoyment of work.

### A workplace of the future?

*“We run as a virtual firm, all our lawyers and typists/support staff work from home on total flexi-time and flexi-holidays. We have no offices.*

*“We get incredibly-high-quality lawyers from top firms joining us because of the lifestyle they can achieve. We would never attract those lawyers to a small firm like ours without this flexibility. We have never had any issue with trust or how long people have worked etc. Good professional people know what hours to work and don’t need it enforced.”* Woolley & Co, Solicitors

Many employers are able to identify the business bottom line and productivity gains across the company from opening up greater flexibilities and innovative working arrangements.

## Recruitment

Sectors which are predicted to grow in the future are experiencing difficulty in recruiting. Banking, insurance, ICT and business services have all reported graduate skills shortages. But in finance, for example, an important growth sector for global markets, the availability of flexible working is limited. In our survey of employers (Smeaton et al., 2007), 13% of employers stated that the career prospects for part-time staff were not as good as those for full-time staff at their establishments, 10% employed no part-time staff and 1% did not know.

Our survey of employers found that 38% had experienced difficulties in recruiting staff in the previous eighteen months (Smeaton et al., 2007).

In a tight labour market, employers who offer and advertise greater flexibilities geared more to employee life outside the workplace will become employers of choice for the future workforce. Our survey of individuals showed that flexible working was important when considering a new job: 83% identified the importance of leave at short notice for caring, 68% - working flexi-time, 53% - reducing hours worked as approach retirement, 47% - part-time work (Holmes et al., 2007). A survey of MBA students in 1997 reported that 45% said a balanced lifestyle was a priority in choosing a future career, while 90% cited work-life balance as a key factor in determining commitment to their employer (Coopers & Lybrand, 1997). 90% of young people said they want a job that would enable them to balance career and family life and that opportunities for flexible working were important when choosing their careers (Bhavnani, 2006). A poll carried out among jobseekers for the DTI's Work-Life Balance campaign found that 46% of jobseekers put flexible working as the top benefit they were looking for from their next employer, while 7 out of 10 wanted to be able to work more flexibly (DTI, 2003).

Despite the benefits, these are not always fully recognised. Employers in our survey did not explicitly recognise flexibility as a recruitment tool, yet individuals indicated that flexible working was important in seeking a new job. Employers who recognise the potential for flexibility to drive recruitment and who use flexibility in their recruitment advertising can increase the size and quality of their recruitment pool and reduce skills shortages.

*“People are aware of the new terms and working practices and if a firm doesn't have them, they will be questioning why not. They will probably move away from that company if those needs for flexible working are not met.”*

David Scott, Communications Manager, PC World

## Retention

The costs of staff turnover are high, estimated in 2001 as £3,462 per leaver and £5,699 for managers. 66% of organisations felt that turnover has a negative impact on their organisation. In our survey, labour turnover was identified as a problem in one-fifth of workplaces (Smeaton et al., 2007). The AGR survey confirmed that retention problems are on the increase. Over 50% of AGR employers said that their retention rates needed improving with Investment Banking and Fund Management saying that their retention rates were a problem (AGR, 2006a).

Nearly one-fifth of employers in our survey had introduced flexibility to optimise retention (Smeaton et al., 2007). One of the key determinants of staff retention problems appears to be 24/7 opening hours. High levels of staff turnover are reported in one-third of such businesses (Smeaton et al., 2007). Without new ways of working, the ability to cover shifts during unsociable hours may prove hard to sustain over the long term, particularly if employees have families or other responsibilities.

A 2002 Chartered Institute of Personnel and Development (CIPD) survey indicated that half of British HR managers regarded recruitment and retention as among the top three priorities for their businesses with just over a quarter saying these were the most important challenges they faced.

**Castle Green Hotel** (105 employees) has found that flexible working has reduced staff turnover from 64% to 40% in two years. This is all the more impressive as this is an industry where it can be as much as 100% and they are operating in a tight labour market in the North East with less than 1% unemployment in the area.

**Farrelly Facilities & Engineering Ltd** (50 employees) has increased staff retention and reduced turnover to 5% a year; very low for their sector.

## Customer demand

Changing ways of working can allow organisations to be more responsive to customers in two ways. First, it can enable an organisation to open for longer hours by introducing different shift patterns, which can then increase customer satisfaction. This was confirmed in a recent DTI/EOC report that charted the bottom-line benefits enjoyed by a number of case study firms which established innovative working patterns to deliver long hours working (DTI, 2005a).

**Inland Revenue** in Sussex extended opening hours and increased employee satisfaction with work-life balance issues through experimenting with different shift patterns to respond to customer and employee needs.

Second, it can enable an organisation to better anticipate the needs of an increasingly diverse customer base (Barber et al., 1997).

**Sainsbury's** began to develop plans in 1986 to target older workers and almost 15% are now over 50, with just over 1% aged over 65. The retailer reports that the mixed-age workforce has led to improved customer satisfaction and believes that the workforce is better motivated because it feels more valued (DTI, 2003).

## Engagement

Research shows that there is a strong link between high employee engagement and superior job performance (Jones et al., 2007) and that satisfied employees directly affect sales increases, as well as improving customer satisfaction and customer loyalty (Barber et al., 1999). A 2006 CIPD survey, *How Engaged are British Employees?*, found that employees who are satisfied with their work-life balance and those on flexible contracts are more engaged with their work than those who are dissatisfied or not working flexibly. It found that those

on flexible contracts tend to be more emotionally engaged, more satisfied with their work, more likely to speak positively about their organisation and less likely to quit than those not employed on flexible contracts. On the basis of their findings, CIPD recommended that employers should consider: 'Work-life balance is important for all employees, including those who are often neglected in discussions over this issue such as men, managers and those with a disability. Long working hours are detrimental to health and do not lead to higher levels of performance.' (CIPD, 2006b, p.15). Organising work in more flexible ways is one way in which staff can feel looked after and hence more engaged.

Research shows that creating and sustaining an engaged workforce will maximise capacity and yield significant productivity benefits. There is growing evidence that British businesses are experiencing growing levels of employee disengagement and are in the bottom 25% compared with other countries (Towers Perrin, 2006). A recent study by Right Management (2006) found that less than 30% of UK workers were identified as being fully engaged in their job. This compared with 43% in the USA. This is leading to less commitment to business goals and a lower productivity return.

Disengaged employees are looking for a fair balance between what they put into an organisation and what they get out of it; greater control and more say in decision-making. Greater flexibility, including more dialogue with managers about how, when and where work is done has the potential to improve employee engagement and increase productivity levels.

**Nationwide** has introduced a wide range of policies, practices and procedures for flexible working since 1995. Its statisticians tell them that for every 3% increase in employee satisfaction, there is a 1% increase in their members' satisfaction. Since 1996 there has been a 14% increase in employee satisfaction (DTI, 2003).

## Productivity

Businesses can increase their productivity and save money through effective flexible working arrangements:

- » Research shows that small businesses can expect to save up to £250,000 through reducing staff turnover, simply by using flexible working policies (DTI, 2005b).
- » One business found its profits were up by 37% because of flexible working policies.

**Farrelly Facilities & Engineering Ltd** found that, since 1999, when they implemented work-life balance policies:

- Sales increased five-fold from £2 million to expected sales of £10 million for 2003. Profits also increased significantly.
- Vast reduction in customer complaints.
- More innovation by employees.
- Productivity is also improved as staff are more satisfied, less likely to be stressed, and more likely to work hard.

## Premises

Accommodation costs are currently running at approximately one-tenth of employer outgoings. As a result, employee floor space has declined from 17.7 to 11.1 square metres (Smeaton et al., 2007) and employers are looking for ways of reducing spiralling building and office space costs. The combination of home-working and hot-desking is a solution on the increase. Without the need to travel, home-working can, in principle, enable employees to achieve more in a day thus increasing their productivity. It can extend employment opportunities to excluded groups, ease congestion, reduce pollution and promote rural sustainability.

Home-working can respond to people's desire for more autonomy and control, and in doing so increase productivity. And the right to choose where to work has been shown to deliver positive returns, with levels of organisational commitment - values, loyalty and pride - higher for those entitled to work at home (Felstead et al., 2002b).

### Jet Blue (US airline)

- 80% of reservation agents work from home.
- Savings on office space.
- Improved customer satisfaction.
- Control through on-line monitoring/supervision.
- Less staff turnover - 4% vs the industry level of 30%.

Flexible working systems can also help businesses work more efficiently by responding to seasonal variations in workload.

**Dutton Engineering** (50 employees) has changed to annualised hours, with working hours determined by customer demand and the only requirement that teams deliver products on time and to high quality. As long as core hours are maintained, people can take time off. They found that performance and efficiency has improved dramatically.

## Absenteeism

66% of organisations responding to a Work Foundation survey in 2003 said they found flexible working helped reduce absenteeism (The Work Foundation, 2002).

As with retention, problems of absenteeism are more prevalent in workplaces that are permanently open and require 24 hour staff coverage. Compared with an average of 20%, 31% of 24 hour workplaces expressed problems with absenteeism. Larger workplaces reported dramatically higher concerns affecting 59% employers with more than 200 staff (Smeaton et al., 2007). Absenteeism is on the rise and costing employers and the economy dearly. The CBI estimated this at £13 billion in 2005 (CBI and AXA, 2006).

A range of flexible options including home-working, the ability to arrive and leave later or the ability to crush hours into 4 or 9 days instead of 5 or 10 may alleviate problems and offer a healthier approach to working.

**Automated Packaging Systems** (94 employees) has reduced absenteeism to 1.5% in 2001 (from 1.9% in 2000) and continues to grow turnover.

**Castle Green Hotel** spends only 0.5% of payroll on sickness absence, compared to a national average of 4%.

**BT** has found that flexible working policies have reduced absenteeism rates to 3.1%, compared to a national average of 8.5%.

These findings show that transforming work would benefit employers, bringing a wide range of business improvements. It would support better match of skills to jobs and deliver a greater pool of qualified workers, able to innovate and to operate effectively in competition with global workforces. It would enable businesses to provide flexible services to meet customer demand for immediate and 24/7 services. It would help to give Britain the competitive edge in the global market place that is the key to economic prosperity.

## Transforming work - the wider case for change

As well as being what many people want and bringing benefits for business, greater flexibilities in the way we work can bring a range of other important pay-backs.

- » Increased returns to the Treasury from increased salaries and higher taxes.
- » Improved employee satisfaction levels through more choice and control over their work will improve wellbeing and have a positive impact on social problems of opt-out, workless households, stress and mental health problems. This in turn will reduce associated costs to the National Health Service and Incapacity Benefit costs.
- » Environmental benefits - in response to the challenges set by the Stern Report on Climate Change and the Eddington Report on Transport, flexible hours and home-working will stagger the urban rush-hour and will reduce traffic congestion and pollution. This will benefit the environment and also improve the speed of transporting goods to meet consumer demand.
- » Developing communities - in a survey by Henley Management College, three-quarters of those surveyed believe that flexible work patterns and the rise of home-based businesses are likely to revive home communities (Future Laboratory, 2005).
- » Help to address the cause and implications of the falling birth-rate and reduce risks and higher NHS costs associated with later pregnancy and childbirth.

Our investigation provides evidence of a strong case for change and shows significant benefits for individuals and businesses from greater flexibilities and innovative ways of working. These findings suggest that transforming work can lead to a win-win - greater control and more choice for people over how they combine their work and caring roles and at the same time better business performance and success for the economy and for society more widely.

# An unsustainable workplace



## The Rush Hour

If we don't change more radically now, the future not only looks bleak, it looks increasingly unsustainable for individuals, for employers and for society; with wasted potential and talent, penalties for individuals and society, including low pay for women, lack of time for caring, increased stress and illness, and even traffic congestion and environmental damage. Ultimately the current work model may not even be sustainable for business.

## Wasted potential and talent

The intensification of global competition means that raising overall productivity and closing the productivity gap with other major economies is a top economic priority for Government.

Recognising that our skills base is relatively low, the Government is investing significantly in education and skills, as one of the five drivers of productivity. This can help to transform the UK into a high-skill economy and give competitive advantage in high-level markets. The Leitch Interim Report on Skills identified productivity gains if the UK could meet its skills targets for 2020 - but conceded that even then we would not close the productivity gap with competitor nations. The Leitch Final Report has set challenging new skills targets to boost productivity for the future including 40% of adults qualified to Level 4 and above by 2020, up from 29% in 2005 (HM Treasury, 2006).

The Leitch Review highlights how important it is to our future competitiveness for us to invest in skills, but it is equally vital that those skills can then be used.

Our investigation provides evidence that increased investment in skills is unlikely to deliver the full productivity improvements forecast by Leitch. Inflexibility is creating a massive waste of talent and potential, with talent draining away as if through leaky pipes at a time when more and more investment is being made in skills and global competition is increasing.

Felstead et al., (2002a), in their 2001 Skills Survey, analysed whether employees were using their skills and qualifications in the labour market.<sup>5</sup> Their results suggested that 37% of workers were 'over-qualified', in that their qualifications were higher than those required to do their job in 2001.

The EOC has approached the question of the utilisation of skills and qualifications somewhat differently. In this analysis, only individuals who are qualified to the minimum Government threshold of level 2 or above are included because of their employability. Equally, those not in work are included, in order to address the drain of talent into economic inactivity or unemployment. The analysis goes further in that it analyses the lost potential of those in work who are not fully using their skills, qualifications or management experience.<sup>6</sup> Most importantly, the analysis factors in a potential solution to the problem of people not using their talent: more flexible forms of working.

Table 1 shows that there are 6.5 million people who are not fully using their talents in the labour market, but who might be enabled to do so if flexible working practices were spread and developed.

This includes 4.8 million people who are not fully using their skills and experience at work and say they would have made different job choices if flexible working had been available. A further 1.7 million people out of work say that flexible working would encourage them back into employment.

Of the 6.5 million, 56% are women (3.6 million) and 44% are men (2.9 million).

**Table 1: People qualified to level 2 or above who are not fully using their talents in the labour market and might be enabled to do so if flexible working were available**

Millions	All	Men	Women
Not working	1.7	0.6*	1.1
Part-time employees	1.4	--	1.3
Full-time employees	3.4	2.2	1.2
Total	6.5	2.9	3.6

Source: EOC, 2007.

Notes: \* use with caution as based on a relatively small sample.

-- estimate considered unreliable as based on a small sample.

Total for men includes full-time and part-time employees and those not working.

The analysis breaks new ground in its findings for both women and men, mothers and fathers and non-parents. The linkage between more flexible forms of working and Britain being able to utilise more of its talent, applies across the board.

Of this pool of 6.5 million people currently under-using their talents in the labour market, but who might be enabled to do so if flexible working were more widely available:

- » 2.9 million are parents of under 16s and
- » 3.6 million are non parents.<sup>7</sup>

Of those not working, 35% of people (1.7 million) could be encouraged back into work if flexible working were available.

### Poor returns to high-level skills

Our 'Poor returns' research (Jones and Dickerson, 2007) confirms that significant numbers of highly-skilled people are working in jobs that don't make full use of their qualifications. Set against future work trends and the need to improve productivity, this waste makes no sense.

**In 2005, 13%, or over half a million women qualified to level 4+, were working in low-level jobs. There were 2.2 million highly-skilled workers (level 3+) in low-level jobs out of the working population of 28 million with 60% being women.**

It is highly likely that at some point in their lives graduates will occupy short-term, low-level work. And, as might be expected, both women and men are much more likely to be working in low-level jobs and qualified to level 4+ in their early 20s and this declines towards the late 20s. However, around 10% of women with level 4+ qualifications continue to work in low-level jobs from their late 20s throughout their working life cycle.

Up to age 30, the proportions of men and women in high-level jobs increase together, showing that women are on track for good careers. The proportion of men in high-level jobs increases steadily until their 40s and 50s, but after age 30, the proportion of women in high-level jobs declines.

**Figure 1: Life cycle and proportions of men and women in high-level jobs**

Source: *Poor returns: winners and losers in the job market.*

Of particular concern, given the economic imperative of creating more high-level, high-skill jobs, is evidence that the proportion of graduates in high-level jobs has decreased significantly from 72% in 1995 to 54% in 2005. At the same time, the proportion of graduates in low-level jobs has more than doubled from under 5% to 10%. This increase is more pronounced among women - from 5% to 13%.

**Table 2: Comparisons of the proportions of graduates in high-level and low-level jobs in 1995 and 2005**

Quality of jobs:	1995			2005		
	Male %	Female %	All %	Male %	Female %	All %
High-level jobs	75.8	64.9	71.7	61.0	45.3	53.6
Low-level jobs	4.3	5.4	4.7	7.1	13.2	10.0

Source: *Poor returns: winners and losers in the job market.*

As driving up productivity through greater investment in education is a major Government economic objective, we looked further at these findings to find out why so many graduates are working under potential in jobs that don't match their qualifications and why this trend is on the increase. Why aren't we adding these graduates into the talent pool and deploying highly qualified people in the jobs where they can be most effective to drive productivity - in high-level jobs that are the key to economic prosperity for the future?

Conventional wisdom would say that these statistics confirm what you would expect - that those graduates with caring responsibilities, women particularly, are making a choice to trade down jobs to reduce responsibility and better combine work with family life. But our

investigation strongly challenges this interpretation. Evidence shows that graduate women rate career development and family development equally and avoiding under-employment comes second on women's list of wants from work. A major survey of graduates found that achievement of fulfilling employment, use of their higher education and the capacity to earn a salary themselves were seen as long-term commitments and central, even for those who regarded family relationships as ultimately more important (Purcell and Elias, 2004).

Is trading down happening because there are too many graduates for the graduate-level jobs available? Are we looking at a situation where supply is outstripping demand? Our evidence shows this is not the case. While there are more graduates entering the labour market as a result of the Government's drive to meet a 50% target by 2010, the graduate recruitment market is reported as buoyant with graduate jobs on the increase. AGR reported 16.7% more graduate vacancies in 2006 than 2005 - the continuation of the sharp increase over the last three years. The majority of industries and sectors have reported growth with 60% employers offering more graduate jobs in 2006 than 2005 (AGR, 2006a).

This is the continuation of a trend upwards. Our research found that over the last decade, 1995-2005, the proportion of people working in higher-level jobs increased from 22% (5.61 million people) to 23% (6.35 million people) (Jones and Dickerson, 2007). Leitch reports that demands for high-skill workers has risen broadly in line with their supply, pointing to stable wage returns to people with degrees despite increases in graduate numbers as clear evidence that employers do not see degree-level qualifications reducing in value.

*“At the top end of the spectrum there are relatively few high-skill people out of work, so moving further towards a more highly-skilled and productive economy will require an increased supply of workers with high-level skills as well as making better use of the existing supply of workers.”* Leitch Interim Report, p.127

The importance of increasing high-level skills for the future is widely recognised. Leitch describes the threat from emerging countries that are already moving up the value chain (Leitch, 2005).

*“China and India have the potential to increasingly challenge advanced economies in more knowledge intense areas. The challenge for the UK is to remain ahead in the value chain. Economic competitiveness in global markets demands that we continue to fuel the supply of highly-skilled workers and that we use them better.*

*“Recent research suggests that 18 million jobs will become vacant between 2004 and 2020, half of which will be in occupations most likely to employ graduates... With other countries also aiming to increase the proportion of their population educated to university level, we must keep pace if we are to remain competitive.”* Bill Rammell, Higher Education Minister (DfES, 2006)

## Graduates under-used despite skills shortages

Not only are jobs being traded down, but there are skills shortages at graduate level that could be filled if highly qualified people were able to make better use of their skills. Having a stock of graduates in low-level work when they want to use their skills in jobs they were trained for, and when there are skills shortages, is economic waste. 22% of AGR employers anticipated that they would not be able to fill all graduate vacancies for 2006. The greatest number of new vacancies in 2006 by business sector were for accountancy, professional services, general management, law and investment banking (AGR, 2006a), and it is predicted that 4 in 5 new jobs over the next 10 years will be in high-level jobs in these sectors (Skills for Business, 2004). But even before these new jobs appear, banking, insurance, ICT, law, business services are already all reporting graduate skills shortages (AGR, 2006b).

Women are graduating with the right sort of qualifications needed to fill skills shortages in key growth sectors of the economy. In 2004/5, business and administrative studies was the second most popular degree subject for women with higher participation rates than for men, more women than men graduated in law, and 49% science graduates were women (HESA, 2007).

**Our investigation has found considerable evidence that trading down and working under-potential can be the outcome of the failure of high-level work to offer flexibility and new ways of working.**

**2.9 million graduates out of work or working below their potential would have made different choices or could be encouraged back to work if flexible working were more widely available (EOC, 2007).**

This is supported by the 2005 graduate survey where a high number of women graduates interviewed recognised that ‘full-time, fast-track employment is not easily compatible with family building given that such work contexts tend to be characterised by ‘smart macho’ long-hour cultures and that they are the ones more likely to make the more substantial compromises if they became parents.’ (Purcell and Elias, 2004).

*“I feel having a child is one of the biggest (disadvantages). I never realised it until six years down the line but it closes a lot of doors. These people want you to do things at the drop of a hat, work long hours and you can’t do that if you have a child... It stops you applying for certain things because you know that for certain jobs you don’t leave at 5 o’clock, you’ll be there until 10 o’clock and you can’t do that if you’re a single parent, so it does close doors before you even begin.”* Female maths and computing graduate in a non-graduate job

The difficulties for highly-educated women in combining work and family and the tendency to trade down to find the flexibility they need, is shown by our Career Interruptions research, which focused on women who were working full-time before childbirth (Johnes, 2006). While 61% of highly-educated women were still in full-time work one year after having a child, nearly 18% of this group were in lower-status work. Trading down of jobs after childbirth was found to be a common response for managers. The fact that there is such a different pattern of

behaviour between the public and private sectors suggests that things could be different: a recent EOC statistical analysis has shown, for example, that among women who were working full-time before childbirth with supervisory or managerial responsibilities, 20% of those who had been working in the private sector were no longer in the labour market in the year after the birth. In contrast, only 9% of the women who had previously been working in the public sector had left the labour market (Johnes, 2006).

The occupational distribution for all women working full-time and part-time from 1992-2003 shows that the bulk of part-time work is in lower-status jobs than the bulk of full-time work. This suggests that women who are in relatively high-level work and who wish to reduce their hours of employment after childbirth are likely to find that the opportunity to work fewer hours is limited at their current level (Grant et al., 2005).

*"... the less complicated the job (the more) it lends itself to part-time, because you are just looking for a bum on a seat as opposed to the continuity of the individual."* Manager, public sector (Grant et al., 2005)

*"Working part-time is a great idea, but there are so many jobs you cannot do on that basis. I have friends who worked as solicitors and their companies would not take them on part-time after they had children. Its so unfair. But other friends who work for corporates have had better deals and been offered flexi-time. The whole thing is a lottery."*

Full-time mother, Cambridge Style Magazine, November 2006

On the basis of our evidence, there is a strong risk that the increasing numbers of people with good qualifications who seek more flexibility will continue to end up in lower-level jobs where part-time and flexible work is available. This has the potential to obstruct the drive up the value chain to higher productivity and to create a divided economy with low-paid, low-skilled, part-time jobs reducing overall performance and dragging the economy down.

*"I was a divisional manager in an education institution before having a baby. My experience of attempting to work flexibly after returning from maternity leave was unsuccessful and humiliating; I had to undergo a whole day of interviewing in order to return to my old job, only for it to be given to a junior colleague because I had expressed a preference for reduced hours. The only flexible option offered was for me to become a PA, even though I had a good degree, 10 years management experience and had handled million-pound budgets. Although I am currently in a management position, it has taken me years to get back to the level I was at before my maternity leave."*

Woman forced to work below her potential after maternity leave (EOC, 2005)

The impact of trading down and working under potential is revealed in work trends projections. EOC research (Walby, 2007) suggests that if the rate of narrowing of the gap in the representation of women and men in higher occupations stays at 1%, it would take another 50 years before there is equality here.

At a time when women are out-performing men at school and at graduate level, inflexibility and rigid work regimes are preventing many from using their qualifications where they are most needed for economic benefit - in businesses and boardrooms.

*“I don’t think the company taps into us at all. They’ve got this huge resource of people like myself who’ve worked for a variety of industries and they could use us to improve things... but nobody’s ever asked us... It’s sad.”*

Part-time worker operating below potential (Grant et al., 2005)

One of the ways that employers have tried to maintain a competitive advantage and improve productivity is through longer hours and work intensification. But this model cannot be pursued indefinitely because it is flawed, with the potential to undermine productivity - and it is not closing the gap.

## Costs to individuals and society

Our way of working is leading to low pay for women, stress, illness and wider social costs, including lack of time for caring. Instead of looking toward flexibility, many employers, faced with the productivity gap with other countries, seek longer hours or work intensification.

### The gender time/pay divide

At a time when women’s and men’s aspirations to have rewarding careers and lives outside work are getting closer together, the reality is that the time and income gender divide is widening. Men particularly work long hours to deliver the productivity that is needed, with no time for caring. Women, irrespective of their qualifications face low pay, work intensification and career stagnation in low-quality, part-time work; or decide to opt-out completely, with a waste of skills and potential. Neither men nor women are supported to successfully fulfil dual roles in working and caring.

The importance of good parenting is increasingly recognised as key to children’s outcomes. An IPPR project (Margo et al., 2006) has shown that personal and social skills are the critical determinants of these outcomes and that these skills are most influenced by the social interaction between parents and their children. A Home Office report in 2005 indicated double the likelihood of anti-social behaviour for those children who spend little or no time with their parents (Home Office, 2005).

*“Parenting is at the heart of determining a child’s outcomes and chances of success so the opportunity for parents to work flexibly is critical... We need to do more to give parents and children time together so that children can gain the skills necessary for life success. This will necessitate a revolution in the concept of time, work and family. It will mean that work-life flexibility is the norm for all who parent or care, not just because the individual case but the societal case is even stronger.”*

Neil Sherlock, KPMG speaker at the Working Families conference, November 2006

Our review of aspirations for the investigation has shown that fathers, mothers, the disabled, older workers and those with elder-care responsibilities all share an aspiration for greater flexibility of hours in order to reconcile employment with family and non-work interests (Holmes et al., 2007). There is a growing sense that flexible work should be available to all not just special interest groups to avoid resentments building in the workplace and to tailor out working hours to the ebb and flow of circumstances.

But our investigation shows that for the majority these aspirations are not being delivered. Those in work are being pushed harder and getting less of a life and many are simply unable to meet rigid work requirements. ESRC research shows that women are increasingly dissatisfied with work. 54% were satisfied in 1992 compared to 49% in 2000 (Taylor, 2002).

DTI Employment Relations research reports evidence suggesting a decline in job quality through the 1990s that can be largely explained by increasing work intensity and decreasing task discretion. While evidence for the early 2000s suggests that job quality has stabilised, the trend has not reversed. Moreover, there was an increase in employee stress between 1998 and 2004 measured by the extent to which employees worry about work outside of working hours (Brown et al., 2006).

Our 2006 polling showed that 70% of people were concerned about what family life will be like for their children and grandchildren in the future with nearly half very concerned. Over 6 in 10 were concerned about spending more time with their family.

Not only does reliance on traditional work organisation and workforce exclude many ‘atypical workers,’ but it places greater pressures on the current workforce, with increases in stress-related illnesses, absenteeism and labour turnover.

## Long hours working

Overall, working hours have increased, with Britain’s managers and professionals working the longest hours among OECD countries (Skills for Business, 2004). Almost 20% of the workforce worked 50 hours or more a week in the UK compared with 10% in France and 5% in Sweden in 2004 (Bishop, K. 2004). Common reasons for working long hours are to meet pressures or deadlines or because it is an expectation of the job.

Research shows that the social costs of long hours can be significant with the risk of family tension, and breakdown (Smeaton et al., 2007).

## Work intensification

Intensification is a problem that is on the increase, particularly in women-dominated workplaces. When asked how hard they were working compared with two years ago, one-quarter (27%) of the employees interviewed for the WiB 2000 survey said they were working harder with a further quarter (28%) stating that they were working much harder (Holmes et al., 2007).

Our survey found that two-thirds of employers are working their managerial and professional staff harder, ie. doing more work within the same number of hours in 2006 than three years previously. This is more acute in the public sector and in large workplaces and the higher the percentage of women, the more likely that managers, professionals and staff at lower levels are being worked harder. This reaches to just over three-quarters of workplaces comprised of at least three-quarters women (Smeaton et al., 2007).

The Work Foundation points to ICT use and intensification of work in particular affecting people's lives outside paid work, with research suggesting that this is also impacting on people's health and wellbeing. Since the 1950s the proportion of the population suffering from major mental health problems has remained the same, but seven times more people are suffering from minor mental health problems, eg. anxiety disorders (Jones et al., 2007).

Marmot's research (2004) on health and the workplace suggests that work can have an impact on some of these mental health problems and demonstrates that workers who have higher levels of control and autonomy at work are much less likely to suffer from health problems than those with less control. This suggests that the changes in work organisation that have reduced control and autonomy have a detrimental impact on wider issues than productivity at work (Jones et al., 2007).

In 1998 an average of 8.5 sick days per year per employee were taken a figure that rose to 10 days by 2002 (The Work Foundation, 2002). A CIPD survey reported that on average, sickness absence costs employers £601 per employee per annum, equating to an average 8.4 days lost per employee (CIPD, 2006a). It is claimed that 'traditional and inflexible work practices require people to be absent from work for longer than they need to be.' (Holmes et al., 2007).

Research suggests that workers who have higher levels of control and autonomy in their work are much less likely to suffer from health problems than those with less control (Amicus, 2006) but a survey in 2004 suggested that just under half of workers felt they had a lot of influence over how they do their work (Brown et al., 2006).

While the Government is leading a major drive to reduce Incapacity Benefit, increasingly women from white-collar public sector jobs are becoming claimants. Increases in work-related health problems are usually stress related, arising from an intensification of work, long hours and loss of control. Call centres exemplify stressful working environments where technology is applied to allow the close supervision of the content, pace and duration of work.

*“Over-work in our society is seen as a primary cause of growing ill-health, both physical and mental. It is argued that men and women are having to work at a more intensive pace than in the recent past. Stress has become an increasingly intractable problem in the modern workplace as much for managers as for their office staff and shopfloor workers.”* Robert Taylor, *The Future of Work Life Balance*

Pushing the same staff to work harder is creating growing costs for individuals in deteriorating wellbeing and health, and for the state in incapacity benefit and health-care costs.

## Wider economic and environmental costs

Current ways of working are contributing to rush hours, transport overcrowding, traffic pollution and congestion and are adding to environmental damage. Different patterns and places of work could ease some of these problems.

In looking to the future, there are some global uncertainties that provide a backcloth to economic change and potential instability in markets - climate change with its environmental impact, national and international terrorism and threat of major epidemics. For the economy and employers, dealing with the potential impact of such events presents new and unprecedented challenges with radical thinking about time and space flexibility ways providing possible solutions - and for innovative employers the guarantee of business as usual in the face of disruptions.

Our investigation has shown that inflexibility is creating a massive waste of talent and potential and holding people and the economy back. Moreover, the consequences of inflexible workplaces are evident in increasing problems for businesses and individuals. The economic penalties of continuing in the same way into the future will be severe and people's working lives will become increasingly unpleasant as the demands for longer and harder work increase. Our investigation has shown that it doesn't need to be like this - and that change can bring substantial benefits.

### Is the current work model sustainable?

The option of even greater work intensity to raise productivity is not viable. Without change, it is likely that problems facing businesses will intensify, undermining business performance and productivity in the future.

Law provides a good case study of a profession high up the value chain and important for our economic future, experiencing skills shortages but continuing to operate in inflexible and traditional ways that keep its new pool of talent at the margins. Law now has a potential recruitment pool comprised of more women graduates than men, yet the profession retains a traditional male work culture. The increase in the number of women qualifying in law has not

been matched by their progress to higher-status work within the profession, and interviews with female law graduates pursuing successful careers in company law and legal practice revealed that in all cases they had done so by conforming to expectations that they would work very long hours and put their work at the centre of their lives.

Recent research has revealed that 64% of legal employees surveyed are already planning a medium-term end point to their career, potentially creating a talent drought for future employers.

The majority of legal professionals claim to be fatigued with the long hours culture of the profession, while over a quarter of those surveyed expressed concern that the legal profession's innate culture of working long hours is acting as a major deterrent for potential new recruits, as well as encouraging those within it already to consider their exits. The long and short of these responses is that long hours are already threatening the future availability of talent in a market that already faces potentially significant skills shortages.

Of those within the legal industry already 57% of respondents believe that working long hours (more than 10 hours a day and some weekends) is unacceptable, with 55% believing the legal profession lags behind other industries in the adoption of a healthier approach to work-life balance.

The fact that so many employees are already considering how they exit the profession is cause for concern and the emergence of this 'burn-out' mentality poses a real danger to employers and to the legal industry's talent pool. To attract new recruits and retain those already working in the profession, legal employers will need to adopt more flexible working practices and consider the benefits of attracting an increasingly diverse workforce to meet their recruitment needs. [Legal Estates Journal, January 2005](#)

# What needs to change? - recommendations



## The Board Room

Fundamental change is needed if we are to face up to our future and realise the full benefits of a culture change at work, avoiding the potential problems for individuals, employers and society that are already beginning to be visible now.

This is not just a practical issue; there is also a need for cultural change. Our survey of employers revealed traditional expectations and behaviours behind the patterns of flexibilities in many businesses. There is still a tendency to see flexible working, particularly part-time working, as a deviation from the norm, justifying lower pay and prospects. Despite the business benefits of flexible working, our investigation shows that for many employers the introduction of flexibility is more about responding to personal needs and not a way to modernise business delivery, despite increased flexibilities providing business solutions.

Flexibility is still regarded by many employers as the 'mummy track' with availability of flexible working lower in male-dominated workplaces. 44% of employers whose workforces are at least 90% male provide none or one flexible arrangement out of a possible eight types of arrangement. Among employers with no female staff, less than one-third have policies which allow their employees to move from full-time to part-time work (Smeaton et al., 2007).

Flexible working arrangements are more prevalent in certain industries, in the public sector and in large businesses. In the private sector 40% of employers with no part-time staff, 33% of employers in agriculture and utilities, 30% of those in manufacturing and 26% of employers in finance, provided none or only one kind of flexibility (Smeaton et al., 2007).

Flexibility can be 'career death' with equal career prospects available for full-time and part-time staff in only 52% of the male-dominated workplaces (Smeaton et al., 2007). This suggests that seeking greater flexibility carries a high risk for men or for women wanting to make their careers in male-dominated sectors. A DTI survey of the IT Industry in 2004 showed 93% of men and 81% of women wanting greater flexibility at work, but 75% believed that key roles were given to people working full-time and the same percentage believed that moving to a part-time or flexible work career would harm their promotion prospects (Flexexecutive, 2004).

Flexibility can be incompatible with management roles. Our survey showed that among employers who had a written or unwritten policy to allow employees at their establishment to change from full-time to part-time hours, 13% reserved this right to non-managerial staff only. In two industrial sectors, wholesale, retail and hospitality and transport, storage and communications, a fifth of employers restricted the right to non-managerial staff (Smeaton et al., 2007).

The flexibilities that people most want are least available. Research shows that for many, the length of time is less important than how the hours are worked, linked to a desire for more control and autonomy. This is an important finding in the context of the need for employers to find a way to deliver 24/7. Despite its popularity, home-working was available to all staff in only 10% of workplaces (Smeaton et al., 2007). Another study found that in 2002, time sovereignty, the ability to choose when to start work was available to only 14% of employees, almost exclusively managers or professionals, but non-managers were able to do so in only 3% of workplaces (White et al., 2004), challenging the belief that flexible working is incompatible with senior roles. In stark contrast, the type of flexible working mostly available to women - part-time working - is associated with poor quality, low-level work with low pay and progression prospects.

*"Choosing the location of work, even by working one day at home, was associated with - being male, highly educated, better paid and in higher-grade occupations."*  
(Felstead et al., 2002b)

Encouragingly, we found a small number of very innovative employers and that the majority of workplaces were introducing some flexibilities, with a trend upwards. We found, however, that employers largely approach flexible working arrangements including spatial, career and hours flexibility in an ad hoc manner (Smeaton et al., 2007). Only 6% of employers had no flexible

working arrangements out of a possible eight types of flexibility being explored and 6% of employers offered all arrangements. Employers typically used four types of flexibility. However, very few employers had implemented a fully comprehensive programme incorporating a flexible approach to time, careers and working location. Although the provision of flexible working is widespread and growing, there is considerable scope for employers to think about their working arrangements in a more holistic and strategic manner.

Despite employers in our survey indicating availability of flexibilities, evidence from our survey of individuals (Holmes et al., 2007) and LFS 2006 (IDS, 2006) shows a very different picture with a considerable mismatch between the extent to which employers claim to offer flexible working and the numbers of employees working flexibly. While 60% of employers in our survey (Smeaton et al., 2007) offered flexi-time, a survey of individuals reported flexi-time available to 22% of all employees and the LFS data showed 12% of people working flexi-time. While these figures are not directly comparable, they do give an indication of the mismatch between offer and engagement. The LFS data reported 5% term-time working and under 6% home-working, again much lower than the extent to which employers indicated that these flexibilities were on offer.

Some change could be achieved simply by better publicising the flexible working practices available. While flexible working is reported to be widely available by employers and growing, many employees are still unaware of this. We found a huge information gap with informal rather than formal policies and a dearth of information about flexible working opportunities from current and prospective employers and from careers advisers and agencies. 60% of people in our survey had not seen any information about jobs where flexible working practices were available and 71% were not aware of the right to request flexible working. People in focus groups said that they have little knowledge, understanding, support, or guidance on opportunities to work differently at any point in their lives (Holmes et al., 2007). This information and implementation gap presents a big cultural and leadership challenge in organisations.

It is clear that many managers are struggling to catch up with change and need support and training in order to manage flexibility effectively. Management Issues reported a survey by the Future Laboratory for Standard Life Bank in 2005 that found up to 2.8 million managers in the UK were pushed to the limits by changes such as flattened management structures, self-negotiated hours and remote working. It identified middle managers aged 45+ as having particular problems, with many reporting symptoms of vomiting, panic, fear and nausea. Separate research from the Henley Management College had shown that middle managers are under particular pressure because the flexible working 'revolution' means that management will become more about resourcing and measuring results than about discipline and following procedure (Henley Management College, 2005).

As flexibility grows it will become less possible for managers to simply try to absorb aberrations from normal working patterns and, more important, to transform ways of working to enable employees on different working patterns to thrive and business objectives to be met. In particular, managers will need to address the challenge of relinquishing supervision and control and giving employees more autonomy and control over their working time, with more management through outputs.

*“Generation Y is much less likely to respond to the traditional command and control type of management still popular in much of today’s workforce... they’ve grown up questioning their parents and now they’re questioning employers.”*

(Holmes et al., 2007)

## People want the right to request extended

Government policy in recent years has promoted the labour market participation of mothers and new parents, with a legal right to request flexible working options or a reduction in working hours for parents of children under the age of six, from 2003. Carers have now been added to those eligible to make a request for greater flexibility.

We found that 50% of people wanted to work flexibly (Holmes et al., 2007). However, overall only 14% of those surveyed for the DTI Flexible Working Survey in 2005 had requested a change to their working arrangements in the past two years. The reasons for making a request to work more flexibly show that while childcare was the main reason (35%), 10% wanted more free time, 10% wanted to take part in education and learning and 9% wanted to spend more time with family (Holt and Grainger, 2005).

The ‘right to request’ does appear to have been successful in improving the employment prospects of mothers. The proportion of mothers changing their employer after childbirth fell from 41% to 20% between 2002 and 2005 (Smeaton and Marsh, 2006). By 2006, the proportion of employers allowing moves from full-time to part-time had increased by four percentage points compared with 2002 - to two-thirds of workplaces (62%) (Smeaton et al., 2007).

The potential for right to request to have a major impact on working lives is not yet being fully exploited. Our research evidence shows that 71% of people were not aware of the current arrangements for the right to request flexible working (Holmes et al., 2007). And, while new fathers are also entitled to apply for flexible working, fewer do so in practice, despite the fact that many fathers express preferences for more flexibility in their hours of work, particularly when their children are young. The Second DTI Flexible Working Employee Survey (2005) found that of the 14% of those surveyed who had requested a change to their working arrangements in the past two years, women were more likely to request to work flexibly than men - 19% and 10% respectively. Requests were higher among employees with dependent children under the age of six (22%) and much higher for women than men in this group (36% compared with 12%). This reluctance may be partly because, as our employers’ survey found, there is less availability of flexible working in male-dominated workplaces and senior roles. Men may feel that asking for flexible working might be equated with reduced organisational commitment.

There is strong evidence emerging that people would like the right to request to be extended to all employees and this might also help to make it more acceptable for those who want to ask, for whatever reason, to do so.

In our survey:

- » 60% of people (58% men, 63% women) think the right to request should be extended to all employees.
- » 68% of people who support the extension (65% men, 70% women) said they would use the right to request for all employees if it were available (Holmes et al., 2007).

The DTI's Third Work-Life Balance Survey (2006) reported that 90% of employees felt that employers should give all employees the same priority when considering requests to work flexibly and that 89% felt that having more choice in working arrangements improves workplace morale (Hooker et al., 2006).

The CIPD/KPMG survey found that 35% of employers were in favour of extending the right to request to all employees and only 13% were strongly against (CIPD/KCMG, 2006).

A number of employers have already recognised that it is better to open up flexibility to everyone. One reason is a view that to confine flexible work options to a group of workers, ie. parents, might cause resentment in co-workers. Most of the employers with formal policies are corporate organisations such as BT, LTSB and Prudential, but some smaller businesses are also offering flexible working to the full range of staff. These companies are reporting business benefits as well as increased staff satisfaction as a result of opening up flexibility in innovative ways to all staff (as shown in case studies supplied by the companies).

The positive experiences of the most forward-thinking employers shows that extending the right to request to all employees can drive forward culture change, based on a new dynamic - not individuals alone but people collectively seeking change to meet their responsibilities and aspirations for life outside work. This is what people are saying they want: taking new ways of working out of the minority right to ask list and extending it so that everyone can use additional flexibilities to improve the quality of their lives.

*“For KPMG, the business cases for diversity and flexible working are compelling. Organisations are aiming to attract the very best talent in the market place from the widest talent pool. To be successful we recognise the need to truly embrace flexible working while balancing this with the needs of our clients. It is not sufficient to merely have it on offer and it is not credible for it to be labelled as something only relevant to women. We have been able to support 12% of our employees undertaking some form of flexible working and 25% of those taking up the options are men.”* Rachel Campbell, Head of People Management, KPMG

This would build on what our investigation has found, that a whole organisation approach to modernising ways of working will bring a significant range of business benefits and make the organisation more fit for purpose in the rapidly evolving economy of the 21st Century. Innovative businesses have made changes in consultation with the whole workforce and for the whole workforce, based around delivering the business better. And evidence suggests everyone is benefiting from this approach.

## Meeting increased competition for graduates

PricewaterhouseCoopers (PwC) instigated a work-life balance project after research among its employees, post merger, found that 60% were dissatisfied with their work-life balance. Added to this was a recognition of the demographic trends, such as an ageing population, that would make competition ever more fierce for the best graduates. PwC launched an intranet site called PwC Lifestyle to provide staff with access to the different resources the firm was offering to help employees deal with their own work-life needs. The company supports a range of flexible arrangements including annual days, reduced days, reduced hours, flexible working and home-based working, as well as extended careers breaks. 70% of staff now feel satisfied with their work-life balance, 92% of requests have been approved and 92% of employees who have taken maternity leave have returned - up from 40%.

Managing Change, DTI

## Government support to open up flexible opportunities

Government emphasis on increasing skills in the economy is welcome but its value is diminished while lack of flexible working is preventing people from using their skills, which can 'leak away' when flexibility is not available. Providing flexibility needs to be at the heart of economic policy, seen as a key tool for improving Britain's productivity.

One of the causes of the leaky productivity pipeline is that the policy focus on acquisition of qualifications and skills is not matched with as strong a focus on supporting people in using their skills and qualifications appropriately as they navigate through life events and in and out of the labour market. While Government funding for skills for the young and low qualified is welcome, funding for skills, guidance and (re)-entry to work for older people is needed too if the investment is to be utilised downstream.

Of particular concern is the lack of any publicly-funded life cycle approach to providing advice and guidance for returners wanting to match skills and work, with no scope under current funding regimes for joining up good practice in Higher Education (HE) with adult information, advice and guidance outside of HE.

The Leitch Review of Skills has called for an adult careers guidance service and this offers an exciting new opportunity to create public policy and practice that promotes flexible working opportunities for all and matches jobs and skills. Only 5% of the people that had gained information on jobs where flexible working opportunities were available had gained it from the careers service. This problem is not confined to adults (Holmes et al., 2007). While 90% of young people said that they want to balance career and family in future jobs and opportunities for flexible working are important when they come to choose their careers, 42% of young people did not know about the opportunities for flexible working in the jobs they expect to get after leaving full-time education (Bhavnani, 2006). Our findings suggest that the positive pay back to individuals and businesses from better lifelong careers advice linked to flexible working opportunities is likely to be significant.

# Interim recommendations

In this interim report we have shown that greater flexibility is the future that people want and that transforming work will deliver significant benefits for business. But change in employment practices and public policy are not happening fast enough to stem the tide of people dropping out or trading down. People seeking flexibility have told us that they are experiencing little change with business as usual.

To support work transformation in practice, we have identified some innovative examples of change and in the second phase of our investigation we are working with The Work Foundation and employers to develop principles and work models that can help to improve business performance, employee wellbeing and productivity. This will form our final report in April 2007.

We are making some recommendations at this stage of the investigation because our findings are important for current key policy developments across Government. Different action is needed by different players.

## Government

### *The Treasury should:*

- » Mainstream flexibility within economic policy as a means of improving productivity.
- » Identify skills leakages and set targets to reduce under-use of skills.
- » In the Comprehensive Spending Review (CSR);
  - introduce careers support for adults
  - develop new types of support/pathways into work for adults that match skills and work at all life cycle stages
  - provide access for graduates to careers advice and job placements throughout their lives, from their own university or one in their locality
  - pilot Jobcentre Plus schemes promoting flexible working (eg. Work Works)
  - develop and pilot more schemes like the successful Ambition Energy.

### *The DTI should:*

- » Extend the Right To Request to all employees.
- » Give greater publicity to the right to request arrangements.

### *A Government Department should:*

- » Put itself forward to trial the new principles and models emerging from the investigation, alongside four private sector employers.

## Employers should:

- » Tell their employees and prospective employees about the types of flexibility that are available, and talk to employees about the types of flexibility that they want.
- » Recognise the key role played by HR Managers and Line Managers and provide training in how to introduce new ways of working, change strategies and people management, recognising the challenges for many managers trained in traditional work organisation, of new approaches to flexibility.

### *CBI, IOD, sector employer champions and recruitment agencies should:*

- » Promote the transformation agenda and business case for greater flexibility.

## Individuals should:

- » Recognise that a desire to work more flexibly is shared by many inside and outside work.
- » Seek out information on flexible working from employers, unions, job centres, recruitment agencies, careers advisers.
- » Ask for different ways of working supported by the knowledge that this is not just about accommodating their own personal needs but could help to improve the organisation's business performance and productivity.
- » Not settle for second best. Actively seek out employers that are willing to offer part-time and flexible working at your qualification or skills level.

## Next steps

The EOC will be working with Government and employers to progress the interim investigation recommendations. In response to investigation evidence of what types of flexibility people are looking for and what works best for business, we will be looking with employers at ways of re-designing the model of work itself. We hope to publish later this year practical guidance for employers facing different challenges to help them consider the way forward for the transformation of work. Our final investigation report will be published in April 2007.

*“Our founder was a high achieving business woman... who was pregnant with her first child. She wanted to return to her career in marketing, but didn’t want to go straight back into doing exactly what she was doing before, [nor]... to compromise on her career objectives. But she recognised that her life was going to be different after the baby, and that she would want to find a different way of working. She was working at the time for an American company and she recognised that the working day was very long and it was very much the norm, [whereas a shorter working day] was frowned upon, and it was going to get in the way of career objectives, she wasn’t seen to be committed, she couldn’t hold down a senior job. And xxx essentially felt that wasn’t right. There must be a way around it, must be more creative ways. So she decided to use that as her dissertation subject for her MBA, and she went, and interviewed a thousand female managers to get their views on whether she was alone or whether there [were] other people out there thinking the same as her. And the very strong feedback she got... was, ‘no you are not alone, yes this is a huge issue, something needs to be done about this’. And she decided... that if no one was doing it, she would do it herself. So she created a recruitment company where she could try to place people in a more creative and innovative way, whereby it was affording greater choice and flexibility in the ways in which people worked.”*

[Interviewee for investigation research into recruitment agencies](#)

# Annexes

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## Transforming work: terms of reference for a formal investigation under s57(1) of the SDA

There have been dramatic changes in family and working life, which look set to continue in years ahead. Women are nearly half the labour force and will fill 8 out of 10 of new jobs in coming years. Men are doing three times more parental childcare than 30 years ago and 4 out of 5 new fathers would be happy to stay at home and look after their child. As the population ages, more of us will need help and support from relatives. Jobs for life are disappearing. Young people are increasingly looking for work to combine with being an active parent and people at different ages are seeking flexible working for different reasons. In an increasingly global market place, many employers are working in a 24/7 way, scheduling staff resources against workloads with ever greater precision.

Some employers already see opportunities to attract a more diverse workforce and raise productivity by opening up new ways of working. Others are open to fresh thinking but are unsure how to put it into practice. Some are stuck in a traditional and increasingly outdated model of work.

Despite the potential, including increasingly flexible labour markets, there are still rigidities that restrict opportunities for parents, carers and employers. Many workplaces remain highly segregated by gender both horizontally between jobs and vertically at higher and lower levels. Part-time work is generally low paid: female part-timers are earning 40% less per hour than men working full-time, about the same as 30 years ago. 50% of part-time workers, predominantly women, are working below their potential at a time when men's labour market share is falling and women's skills should be at a premium. While a recent report placed Britain in the top 10 for women's achievement, this fell to 41st behind Colombia and India for women's economic opportunity. In an increasingly knowledge-based economy, the educational achievements of women must be put to better use in the workplace. Alongside this, Britain's men are working some of the longest hours in the EU. Work intensification is increasingly being recognised as an issue of concern for employers as well as employees, with high levels of work-related stress being recorded.

Transforming the workplace could help both employers and employees to meet these new challenges. This investigation aims to identify 'win-win' solutions to deliver greater choice and economic opportunity for individuals and also help employers increase their productivity.

It will:

- » Work with employers and others to explore and develop innovative models and solutions to better match the workforce of the future with the workplace of the future.
- » Focus on specific sectors where significant change is occurring and where new models of work are creating opportunities for people currently disadvantaged and marginalised.

- » Articulate the economic, productivity and business case for the transformation of workplaces and the development of new models of work, recognising the skills challenges of the changing global economy.
- » Identify ways of transforming the routes and gateways into work at all ages and the actions of gatekeepers to provide better work opportunities for all, specifically adult advice, information, guidance, re-entry and returners programmes, through Jobcentre Plus and New Deals.
- » Consider the implications of new models of working for public policies on caring.

To deliver these solutions it will also analyse trends:

- » Identify and understand key factors likely to impact on future employment patterns and the workplace of the future - for example, demographic changes, areas where employment will grow, the influence of global markets, work intensification, and the impact of outsourcing.
- » Review the current working patterns, participation, progression and pay of women and men, aged 16-65, across all socio-economic groups, paying particular attention to parents and carers, women working below their potential, BME groups, graduates, returners, and older women.
- » Identify the changing career and caring aspirations across these groups throughout the life cycle.
- » Consider the extent to which these are met and what the opportunities and challenges are for employers in both the profit and non-profit sectors, specifically focusing on the effect on job choices and productivity of;
  - workplaces that fail to accommodate 'zig-zag' career paths (where people move in and out of flexible working and different jobs at different points in their lives) and that demand and reward traditional, full-time linear working patterns
  - the limited availability of flexible work in better-paid jobs
  - the impact of intensification of work and the long-hours culture.

## Endnotes

- 1 From forthcoming research commissioned by the EOC, Holmes et al., (2007) *Work in the future: individuals and workplace transformation*. The analysis is based upon a survey of 2,317 women and men aged 18-65 in GB. The data is weighted to be representative of the general population. 50% of people would like to work more flexible hours.
- 2 EOC additional analysis of data from forthcoming research, Holmes et al., (2007) *Work in the future: individuals and workplace transformation*. It is estimated that a total of 6.5 million people with level 2 or above qualifications are not fully using their skills and are or have been influenced by the availability of flexible work. This includes 4.8 million people who have traded down by working in jobs that do not use the skills or experience they have demonstrated in previous jobs and who say that they would have made different job choices if better flexible working options had been available. A further 1.7 million people are not in work and say they would be encouraged back into work if flexible working was available. The analysis excludes people over retirement age, full-time students and those combining full-time or part-time study with part-time work.
- 3 From forthcoming research commissioned by the EOC. Jones, and Dickerson, (2007) *Poor returns: winners and losers in the job market*. The analysis consisted of secondary analysis of pooled data sets of the Labour Force Survey. Jobs were ranked by typical pay using SOC 1990 and SOC 2000 occupational classifications. There were changes of job definitions between the two periods (although there is a fair degree of correspondence), however, the distribution of employment can be compared. High-level and low-level jobs are defined as the top and bottom quartiles (25%) of all jobs.
4. From forthcoming research commissioned by the EOC, Smeaton et al., (2007) *Work in the future: employers and workplace transformation*.
5. Respondents were asked what qualifications they held and the qualifications they judged would be required to get his or her current job in today's labour market.
6. These are people who answered yes to any of the following three questions: 'Have you ever held jobs where you needed a higher level of qualification than those needed in your current job?', 'Have you ever held any jobs where you needed a higher level of skills than those needed in your current job?' and 'Have you ever held any jobs which involved you in more supervision or management of staff than is required in your current job?'. These questions were tested in pilots and cognitive tests in preparation for this survey and were explored more fully in previous research at Sheffield Hallam University.
7. Parents refers to mothers and fathers of children aged under 16 living in their household. All others are 'non-parents'.

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